24035

National Library of Canada | Bibliothèque nationale du Canada

CANADIAN THESES ON MICROFICHE | THÈSES CANADIENNES SUR MICROFICHE

NAME OF AUTHOR/*NOM DE L'AUTEUR* PETER H FUHRMAN

TITLE OF THESIS/*TITRE DE LA THÈSE* MAINTAINING A MARKET IN AN ENVIRONMENT OF INCREASING RETAIL COMPETITION

UNIVERSITY/*UNIVERSITÉ* ALBERTA

DEGREE FOR WHICH THESIS WAS PRESENTED/*GRADE POUR LEQUEL CETTE THÈSE FUT PRÉSENTÉE* MBA

YEAR THIS DEGREE CONFERRED/*ANNÉE D'OBTENTION DE CE GRADE* 1975

NAME OF SUPERVISOR/*NOM DU DIRECTEUR DE THÈSE* DR. B. M. HARNDEN

Permission is hereby granted to the NATIONAL LIBRARY OF CANADA to microfilm this thesis and to lend or sell copies of the film.

The author reserves other publication rights, and neither the thesis nor extensive extracts from it may be printed or otherwise reproduced without the author's written permission.

L'autorisation est, par la présente, accordée à la BIBLIOTHÈQUE NATIONALE DU CANADA de microfilmer cette thèse et de prêter ou de vendre des exemplaires du film.

L'auteur se réserve les autres droits de publication; ni la thèse ni de longs extraits de celle-ci ne doivent être imprimés ou autrement reproduits sans l'autorisation écrite de l'auteur.

DATED/*DATÉ* APRIL 11, 1975 SIGNED/*SIGNÉ* P H Fuhrman

PERMANENT ADDRESS/*RÉSIDENCE FIXÉ* 8051 WILTSHIRE BLVD
DELTA, B.C
V4C 4B5

NL-91 (3-74)

THE UNIVERSITY OF ALBERTA

RELEASE FORM

NAME OF AUTHOR Peter Harry Fuhrman

TITLE OF THESIS Maintaining a Market in an Environment of Increasing Retail Competition

DEGREE FOR WHICH THESIS WAS PRESENTED M.B.A.

YEAR THIS DEGREE GRANTED 1975

Permission is hereby granted to THE UNIVERSITY OF ALBERTA LIBRARY to reproduce single copies of this thesis and to lend or sell such copies for private, scholarly or scientific research purposes only.

The author reserves other publication rights, and neither the thesis nor extensive extracts from it may be printed or otherwise reproduced without the author's written permission.

(Signed) P.H. Fuhrman

PERMANENT ADDRESS:

8051 Wiltshire Boulevard

Delta, British Columbia

V4C 4B5

DATED April 11 1975

THE UNIVERSITY OF ALBERTA

MAINTAINING A MARKET IN AN ENVIRONMENT OF INCREASING RETAIL COMPETITION

by

PETER HARRY FUHRMAN

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE

OF MASTER OF BUSINESS ADMINISTRATION

FACULTY OF BUSINESS ADMINISTRATION AND COMMERCE

EDMONTON, ALBERTA

SPRING, 1975

© Peter Harry Fuhrman 1975

THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled Maintaining a Market in an Environment of Increasing Retail Competition by Peter Harry Fuhrman in partial fulfilment of the requirements for the degree of Master of Business Administration.

Boyd Hamelin
Supervisor

G.H. Lee

N.R. Seifried

DATE April 10, 1975

ABSTRACT

A department store's future is dependent on its ability to define a market strategy, and be guided by this strategy over a period of time. This was recognized by the Hudson's Bay Company in Edmonton and it was decided by management that a market strategy would have to be developed which would ensure that the Bay's selected target market would be provided with the right merchandise, at the right price, at a convenient place, and with the appropriate promotional appeal.

This thesis outlines the development of the market strategy report. The necessity of the market strategy report is established first, and thereafter the steps taken to bring about the report are examined. The importance of defining the problem is stressed, and while various outlines were prepared in an attempt to define the problem it became evident that a market survey was required to determine where the Bay in Edmonton stood in comparison with its competition. At this point it was recognized that a market strategy cannot be established from a vacuum, but must be based on the existing market situation. The market survey would have to be conducted with the utmost care as the results would give management the impetus for immediate action should its results indicate the Bay's position to be either better or worse than what manage-

ment perceived it to be. Inaccurate results, therefore, could determine a course of action or inaction detrimental to the Bay in Edmonton.

The market strategy report was well received by top management and indications are that it will guide management in its future marketing decisions. The results of the market survey prompted management into immediate action as it uncovered merchandising problems which had not been perceived before. It can, therefore, be concluded that the study was necessary and that its findings will result in increasing the Bay's market share in Edmonton during the next ten years.

PREFACE

In the course of completing the market strategy report it became evident by the lack of reference material that very little research had been conducted in the area of retailing. Indications are that the large retailers or department stores have based their marketing decisions for the future on their success in the past. The result is that a large number of department stores are selling the same type of merchandise and providing identical services. Consumers, therefore, are not compelled to seek out a specific department store because of it's merchandise or other qualities, but rather for convenience and/or because a particular person carries a specific department store's credit card. It is, therefore, reasonable to assume that a particular department store retailer's market share will depend on the number of stores in a specific region and the number of credit cards in circulation.

It is suggested, therefore, that a dominant retailer in the future will have a well defined market strategy catering to a specific target market and having adopted a market mix to ensure that the target market selected will be provided with the right merchandise, at the right price, at a convenient place, and with the appropriate promotional appeal.

This was recognized by the Hudson's Bay Company in Edmonton, and I was asked to define a market strategy which would increase the Bay's market share over a ten year period. The actual market strategy is attached to this thesis as Appendix V. The thesis itself describes the method used to complete the market strategy report.

ACKNOWLEDGEMENT

I would like to express my gratitude and thanks for the many individuals who were involved, both directly and indirectly, in the completion of this thesis. I would like to especially thank the following individuals for their invaluable help.

Mr. John M. Cunningham, Operations Manager of the Hudson's Bay Company in Edmonton, for recommending me for the development of the market strategy report, and for his subsequent encouragement and help in getting my thesis underway.

Mr. H.L. Spelliscy, General Manager of the Hudson's Bay Company in Edmonton, for allowing me to use the market strategy report as my thesis.

The late Dr. A.G. Perroni, my thesis supervisor, for his assistance in initiating this thesis and for his subsequent help and encouragement leading to its completion.

Dr. B.M. Harnden, for his willingness to assume the position of thesis supervisor and for his assistance in enabling me to complete this project.

Dr. C.A. Lee and Dr. N.R. Seifried for their thorough reading of the manuscript, their sincere criticism, and their patience.

My wife, Denise, for the many hours devoted to typing the numerous drafts and final thesis, and for her encouragement and support.

TABLE OF CONTENTS

Chapter		Page
I	INTRODUCTION.....	1
II	STEPS TAKEN TO BRING ABOUT THE MARKET STRATEGY REPORT.....	9

Initial Outline

Discussion of Outline with General Manager

Preliminary Investigation as to Availability of Information

Establishment of a Comprehensive Outline

Meeting of Top Management for Final Discussion of Market Strategy Outline

Selection of Consulting Firm to Perform Attitude Survey

Selection of Management Trainee

Summary

Chapter | Page

III DEVELOPMENT OF STEPS LEADING TO MARKET STRATEGY REPORT..... 20

Conducting the Attitude or Market Survey

Initial Discussion with Consultant as to the form of the Survey

Establishing the Questionnaire

Conducting the Main Survey

Results of Questionnaire and Discussion of Findings

Consultants Report on Market Survey

The Writing of the Market Strategy Report

Introduction

Analysis of the Target Market

Analysis of Product Mix

a) Merchandise

b) Price

c) Place

d) Sales Promotion

IV THE COMPLETED REPORT..... 45

V CONCLUSION..... 48

Chapter		Page
BIBLIOGRAPHY.....		49
APPENDIX I	PRELIMINARY OUTLINE.....	51
APPENDIX II	COMPREHENSIVE OUTLINE.....	54
APPENDIX III	INITIAL QUESTIONNAIRE.....	62
APPENDIX IV	FINAL QUESTIONNAIRE.....	65
APPENDIX V	FINDINGS OF MARKET SURVEY.....	70
APPENDIX VI	MARKET STRATEGY REPORT.....	74

LIST OF TABLES

TABLE	DESCRIPTION	PAGE
I	TOTAL ESTIMATED 1975 RETAIL SPACE OF THE FIVE MAJOR DEPARTMENT STORE RETAILERS	7
II	TOTAL ESTIMATED 1975 RETAIL SALES FOR THE FIVE MAJOR RETAILERS	7

CHAPTER I

INTRODUCTION

Department stores established their dominance as retailers during the first part of the twentieth century. This dominance came about primarily by offering to the consumer a wide variety of merchandise, including import items and in general lower prices than other retailers. The policy of satisfaction guaranteed or money refunded, the establishment of credit plans for customers, as well as the establishment of the large variety of services to the consumer further enhanced their position.[1]

The department store's viability, however, is being challenged by new retailers with radically different approaches to distribution. These new retailers have been able to adapt to consumers' changing life styles, shopping habits, and changing attitudes towards certain merchandise items. They have been able to anticipate changes - and for a retailer, life or death depends on how soon he can anticipate and respond to marketing revelations.

Paul Nebenzahl, in a newsletter for retail executives, entitled "Hear, There & Everywhere", suggests that the traditional retailer is faced with four main problems. First, the traditional department store has been unable to establish any distinctive difference between themselves and their competitors. In an attempt to gain a greater share of the market, department stores had a tendency to cater to a broader range

---

[1] For an excellent discussion of the growth of department stores and how todays giant retailers in North America had their beginning, see Philip J. Reilly, Old Masters of Retailing (New York: Fairchild Publications, Inc., 1966).

of customers and have virtually offered the same services and merchandise. Second, large retailers, like Sears and Penney's, with a large catalogue shopping service established rings of suburban stores around center city department stores, thereby reducing their share of the market in major appliances, housewares, automotives, and lower and middle priced lines of apparel, and unless the traditional retailer also expanded into the suburban area he was quickly left behind. Primarily due to the low overhead of catalogue shopping, these retail giants were able to offer traditional merchandise at reduced prices, and sales through catalogue shopping reached immense proportions. Thirdly, the discounter entered the retail scene by offering, in many instances, brand name merchandise at lower prices. The discounter was generally located away from high rent areas in a warehouse building, and dispensed with the traditional retail services, such as credit, delivery, store decorations, and expensive advertising. This reduced his overhead considerably allowing the consumer to buy merchandise at lower prices through a cash and carry type operation. Fourth, the traditional department store generally does not seem to have a detailed market plan or strategy to guide them in developing their merchandising effort. While they have been generally quick to react to new types of merchandise which catch the popular taste, there are very few retailers who have actually defined for themselves which customer they would like to appeal to and how to go about doing it.[2]

---

[2]Paul Nebenzahl, "Hear, There & Everywhere", A Newsletter for Retail Executives, (September, 1972), New York: Harrison Services, Inc.

It becomes apparent that in order to be successful in the future, the traditional retailer must continually be aware of consumer and environmental changes. Those who cannot forecast these changes with reasonable accuracy, or cannot meet these changes as they become apparent will be unable to survive within the environment of progressively more aggressive retailers.[3]

It also becomes obvious, for a retailer to react to consumer and environmental changes, he must be aware of his comparative position among competition and of what trend he is following. The first is comparatively easy and is determined by a market survey, the second can be reinforced or corrected only by devising a market strategy plan.

A market strategy plan is a guide to the retailer in which he specifies who his customer is and how he will direct his efforts to ensure his customer will shop in his establishment. A market plan or market strategy, therefore, has two objectives. The first objective is to define his target market; to select a particular group of customers to whom he would like to appeal. The second objective is the development of a marketing mix which specifies the type of merchandise, the price range, the establishment of retail outlets, and the type of promotion necessary in order to capture the previously selected target market.[4]

---

[3] Ibid.

[4] Ibid. See also a basic marketing textbook for a complete definition of market strategy and its use. For example, see E. Jerome McCarthy, Basic Marketing, A Managerial Approach (rev.ed. Homewood, Illinois: Richard D. Irving, Inc., 1964), Chps. II & III.

The Hudson's Bay Company in Edmonton, more commonly known as 'The Bay' is faced with all of the problems of the traditional department store in addition to operating in a very competitive retail environment. In Edmonton, retail space per capita is among the highest in Canada and will increase in the next few years as new shopping complexes are built. The four major retail chains, the Bay, Eatons, Simpson Sears, and Woodwards are all continuing to expand their retail space, even though the population is growing at a far lesser rate than per capita retail space. Furthermore, discount department stores such as Woolco and K-Mart are also entering the Edmonton area and not only increasing retail space but bringing with them a whole new merchandising approach.[5]

Only Woolco appears to have established a distinctive image from among the five major retailers in Edmonton. They appeal to the low and middle income families and stress low prices as well as store hours which allow the whole family to shop together. The image of lower prices is supported by their store design, their method of operation, and their virtual lack of traditional department store services. Nonetheless, Woolco stresses the policy of 'Satisfaction guaranteed or money refunded'.

Though Eaton's does not seem to have appealed to any one particular income group, it has shown a definite desire to capture a

---

[5]For a discussion of retail space, and retail sales per capita, see Bruce E. Mallen, "Retail Trade Flow Changes in Canada", in Marketing: Canada. Edited by Isaiah A. Litvak and Bruce E. Mallen. (New York: McGraw -Hill, 1964), p.223. Current figures of per capita retail space for 1972 and forecasts for later years were provided by the Hudson's Bay Company from a retail trade magazine the title of which is not available.

target market in Edmonton, or at least of remaining in the competition by opening a branch store in a shopping centre. The considerable experience in merchandising that Eatons must have acquired over the years elsewhere has as yet not been felt in Edmonton and, for the time being, it is believed that the market strategy devised by Eatons is probably aimed at the middle income family.

Woodwards seems to have captured the middle income family in Edmonton, this as the result of their merchandising policy and their timely expansion into the suburbs. Most important, however, is their superb food department and their automotive service centres which capture the middle income shopper by offering a one-stop family shopping centre. By being relatively conservative in merchandising policies and advertising campaigns, they have managed to appeal to the generally conservative middle class, and have succeeded in enticing the food shopper to shop for his other needs within the same store. While a shopper is unlikely to visit Woodwards to shop for the latest in fashions and other trend merchandise, he is nonetheless assured that he will find basic merchandise at all times as well as a good selection of established fashion merchandise in all sizes. Furthermore, such important departments, especially in suburban stores, as hardware and automotive accessories, children's clothing, and stationery, are extremely well developed.

While Simpson Sears are relatively newcomers to the Edmonton scene (1957), they have been extremely aggressive in their efforts to capture their target market, which also appears to be the middle income family. While they have no food department, they have ensured that their department stores are adjacent to at least one major supermarket. Their

primary strength lies in their merchandising of men's and ladies wear, children's wear, hardware and sporting goods, home improvement and automotive accessories including auto service stations. They have been successful in convincing their customers that they offer the best quality at the lowest possible prices with customer satisfaction guaranteed.

Until 1970, the Bay had only a downtown base in Edmonton with a strong appeal to the young and discriminating shopper. The emphasis has been on fashion - men's, women's and the home. The quality image was and is strong and the fashion assortments are generally recognized as superior. The late entry into the suburbs is a major cause of the Bay's failure to increase its market share because the retail space could not be increased to take advantage of the increasing consumer trend of shopping in their own suburban community.[6]

By the end of 1975, it is estimated that the total retail space

---

[6] The brief description of the apparent consumer image of the five major retailers were compiled from discussions with Hudson's Bay Company Executives, a number of people picked at random which were not known to the author, and also by personally examining every retail outlet of the five major retailers in the city of Edmonton.

of the five major retailers in Edmonton will be as shown in table I.

TABLE I

TOTAL ESTIMATED 1975 RETAIL SPACE OF THE FIVE MAJOR DEPARTMENT STORE RETAILERS*

Retailer	Estimated Retail space (sq.ft.)	Percent of Total Retail Space
Woodwards	1,187,000	36.9
The Bay	694,000	21.6
Woolco	479,000	14.8
Simpson Sears	465,000	14.4
Eatons	394,000	12.3

* These figures were supplied by Senior Management of the Hudson's Bay Company in Edmonton.

Woodwards will have almost twice as much retail space as the next largest retailer and three times as much retail space as the smallest of the five major retailers. Woodwards dominance in the Edmonton retail market is also borne out by 1971 estimated retail sales of the five major retailers.

TABLE II

TOTAL ESTIMATED 1971 RETAIL SALES FOR THE FIVE MAJOR RETAILERS **

Retailer	Sales (000000)
Woodwards (excluding food)	$ 55.7
The Bay	32.3
Simpson Sears	29.5
Eatons	19.0
Woolco	18.0

** These figures were supplied by Senior Management of the Hudson's Bay Company in Edmonton.

While retail sales vary almost directly with retail space the foregoing figures provide some indication of the Bay's competition in Edmonton. While the Bay might achieve retail dominance by simply adding new stores to increase its retail space, this method might be unprofitable as the total retail market in Edmonton might be too small to support the vast amount of retail space which would be available and which would probably increase as other retailers would be forced to increase their own retail space to remain a viable force in the Edmonton area. Furthermore, it might be difficult to persuade its corporate office to supply the funds for enlarging its retail space in Edmonton with very questionable returns, when the same money spent in other areas of the country might yield much greater returns.

The Bay's goal of market dominance by 1983 in Edmonton may or may not be practical or profitable. Furthermore, achieving this goal cannot even be attempted without establishing the Bay's present market position vis a vis its competition, and without a market strategy. Once a market strategy has been devised and implemented, it must be constantly monitored to determine whether the strategy is effective or not. A host of new factors may alter the retail environment or influence the consumer which may require the target market or product mix be changed in mid-stream.

This thesis will describe how a market survey was devised and conducted, and after the results were known, how a market strategy was devised which might achieve the Bay's goal over the next decade.

CHAPTER II

STEPS TAKEN TO BRING ABOUT THE REPORT

In October of 1972, I was commissioned by the General Manager of the Bay in Edmonton to undertake a study of the market situation in the Edmonton region and to propose a market plan by which the Bay could achieve retail dominance in the Edmonton region within the next ten years, specifically from 1973 to 1983. The request for the study came as a result of a newsletter entitled "Hear, There and Everywhere", a newsletter for retail executives published by Harrison Services in New York, wherein was discussed the fact that department stores generally do not know where they are going because they have no detailed marketing plans.

Initial Outline

I considered it most important in undertaking this task to establish a preliminary outline for the market plan report.* I realized that this outline would undergo changes as the work on the report progressed, but it would, at least, provide a guide for both senior management and myself to come to grips with the problems and provide a starting point.

According to the outline, the report was to have had seven chapters. The first chapter concerned itself with the present 1973 retail scene in Edmonton. Chapter two outlined the position of the Hudson's Bay Company by analysing its present market strategy, its

*See Appendix I

market share and consumer attitudes towards the Bay. Chapter three would outline the major challenges facing the retailer in Edmonton in the future, or at least within the next ten years. In chapter four, the Bay's competition in Edmonton would be examined to see how these other retailers might react to the challenges discussed in chapter three. In chapter five, an attempt would be made to provide specific ways and means for the Bay to counteract these challenges. Chapter six would propose a general market strategy plan for the Hudson's Bay Company in Edmonton and would analyse the Bay's target market and product mix. A short summary (chapter seven) would complete the report.

An attitude or market survey had to be designed so as to allow us to determine three factors on which a market strategy would be based:

(1) the Bay's present competitive position in the market place and the competitive environment in which it operates;

(2) consumer perception of the Bay's competitive strengths and weaknesses;

(3) the Bay's competitive stand in key product areas and services.

I also suggested in the initial outline that such an attitude survey should be conducted at regular intervals, perhaps every two years so that our market plan could be adjusted to reflect any changes in our competitive position.

A brief meeting was held thereafter with the General Manager to discuss the initial outline. In the meantime, the General Manager had also provided me with certain information with regard to the Hudson's Bay Company in the Edmonton area and what, in his opinion, were some of the things that the Bay should be striving for. Some of these factors, such as pricing, competition, and company establishment of

"value image" items, were Company policies which we would have to comply with in whatever market strategy plan would be devised. In other areas where considerable regional liberty was possible, he provided specific examples of what could be done.

Discussion of Outline with General Manager

After the initial outline was completed, I had a brief discussion with the General Manager, answering any questions which he might have with regard to the outline, and also enlightening him upon some of the ideas that were not included in the outline, but which I felt might come up in the succeeding months. He generally approved of what I was trying to accomplish and provided me with some helpful hints; generally, as to what I should watch for in our final report and then requested me to set a meeting at a later date with himself, the Operations Manager, the General Merchandise Manager, the Controller and myself for a more comprehensive discussion of the market plan, the amount of funds required and various other matters.

Preliminary Investigation as to Availability of Information

The undertaking of this project required many statistics and much information which could not be obtained from textbooks. The information and statistics had to be recent and they had to be accurate. Much of the information was gathered by examination of the various other retailers, looking at their retail stores, looking at their merchandise, their customers, the number of people in their stores at a specific period of time, the different types of retail outlets, the growth of the city, the direction the city might expand, the examination of suburban centres and their business sectors. Some of the information

had to be gathered from developers who had drawn out detailed plans for years to come (for example, at this particular time, a number of developers had drawn up a specific plan for the hamlet of Sherwood Park, whereby this hamlet would be expanded two miles north of its present boundary and one mile east of its present boundary and would contain by the year 2001 approximately 100,000 people). This type of information had just been published and was very difficult to obtain. Furthermore, information had to be received from the recent census and some of these figures were only starting to be available and many figures that were of prime importance would not be available for a year from this particular time. The city was also asked to provide information with regards to the growth over the years and its expected growth over the next ten years. I looked at various Government of Alberta publications to find out total retail sales for the Province and retail sales for Edmonton city. I also examined various proposals such as the McKenzie Valley Pipeline and the various proposals for the tar sands extraction plants which would have a strong bearing on the economy of Alberta; and specifically for Edmonton. Projects such as these would certainly increase the population in Alberta and would have a tremendous impact on retail sales in total. I also examined an attitude survey which was conducted for our Vancouver store by a consulting firm and this report provided me with some guidelines as to how our own attitude survey should be established. After all this information was gathered together, I had a much better idea of what could be done with our marketing plan and how it would be established. What was to follow now was the establishment of a comprehensive outline which would detail exactly the steps that were to be followed in the final report.

Establishment of a Comprehensive Outline

The comprehensive outline* spelled out in detail the steps that were envisaged in the initial outline. In the initial outline for example, chapter one was mentioned as a brief discussion of major retailers in Edmonton in 1973. In the comprehensive outline, chapter one was broken down into four parts; part one was given to the city analysis, which was broken down into three parts (a) location of Edmonton, (b) major towns surrounding Edmonton within a 25 mile radius and (c) their impact on retailing in Edmonton. Part two of chapter one, "An analysis of the retailer in Edmonton", listed the strengths and weaknesses of large retailers, medium retailers, small retail chains, and special retail outlets, such as warehouse stores, etc. Part three of chapter one, "Location of major retailers in the City", discussed the major shopping centres in relation to downtown, the impact of these shopping centres on total retail dollars and a map outlining the major shopping centres and retailers and other statistical data which might be required. Part four of chapter one, "A brief discussion of the growth of the City", was to include a map providing a graphical description of the growth of the city. Chapter two was the actual attitude survey, presented in three parts, part one, an introduction to the attitude survey, part two, the results of the survey and the methodology utilized, and part three, the conclusion. Chapter three consists of two parts; part one to be a brief discussion of the factors taken into consideration (e.g. geographic changes, demographic changes, psychographic changes, buyographic changes, mediagraphic changes); and part two to consist of a general discussion of how these factors may influence retailing in Edmonton and an in-depth

---

* See Appendix II

analysis of these factors that seem to provide the most significant impact on retailing. Chapter four was broken down into two parts, part one to cover how these factors of major significance discussed in the previous chapter stimulate our competition into action and part two, to discuss what new competition these factors might bring into being. Chapter five concerned itself primarily with the Bay and how the Bay would have to react to the challenges mentioned in the previous two chapters and how it would meet the reaction of its competitors. The chapter to consist of six parts as follows (a) the number of new stores required by type, size and location (e.g. budget stores, warehouse stores, self-standing home furnishing stores, catalogue showrooms, etc.); (b) the shopping hours - whether shopping hours should be extended, whether shopping hours should be shifted and whether there should be Sunday opening; (c) the pros and cons of self-service versus personalized service; (d) a discussion of non-retail services; (e) the leasing of unprofitable departments to specialists or other retailers in the city who are strong in the particular type of merchandise; (f) new methods of advertising such as the use of cable television, etc. Chapter six to be broken down into two parts, part one to dwell on an analysis of the Bay's target market, i.e. the desirable age group and income group to appeal to, and part two to be an analysis of the product mix necessary - the price levels to be established, the product to be carried, which stores should carry certain merchandise or products, in other words, what new locations should be opened and how should present locations best be utilized, the type of promotion necessary to appeal to the target market chosen. Chapter seven is to be a brief conclusion.

This outline was required to be much more detailed than the initial outline because shortly a major meeting was to take place among

top Bay officials, and also because some idea had been gained as to how much of the material needed could be gathered and made available for discussion.

Meeting of Top Management for Final Discussion of Market Strategy Outline

A meeting was held on January 17th, 1973, present were the General Manager, the Operations Manager, the General Merchandise Manager, the Controller and the writer. The purpose of this meeting was to have a final discussion of the outline and for the writer to answer any questions arising from the discussion. Suggestions and recommendations were made by top management as to whether the outline was acceptable or whether any changes should be made in order to gather information that might be required in the future. The cost of the project and where the money was to come from was also discussed. This was a successful meeting as far as I was concerned since my outline was accepted as proposed. No specific suggestions or recommendations as to changes in the outline were made. Some discussion was held as to our competition and the areas in which we seemed to be weak. I estimated the cost of the marketing plan to be approximately $5,500; $3,000 to $3,500 for the market survey itself and approximately $1,500 for a management trainee to assist in assembling data and generally help with the preparations for the market plan, the remaining $500 - $800 to be spent for secretarial work, paper and copying costs, and other miscellaneous items. I received the approval for this amount of money and approval to commence the market plan study.

Selection of Consulting Firm to Perform Attitude Survey

I had four possible choices of individuals or groups of individuals

who would be prepared to undertake an attitude survey. There was the consulting firm which prepared the report for the Vancouver store and all indications were that this particular firm was interested in performing the attitude survey for Edmonton and also for Calgary who, by this time, had shown interest in having a similar attitude survey performed for that city. 2. There was an individual who had been engaged in marketing research and who was teaching at the University, and who was known to the General Merchandise Manager. This particular individual had expressed interest in undertaking the survey, and certainly possessed the marketing background. 3. The business school at the Northern Alberta Institute of Technology, after hearing of our undertaking, was interested in sending a group of students enrolled in the Business Administration course at that Institute, to conduct a survey, which would cost very little to the Hudson's Bay Company and would primarily be a learning experience for the students. 4. There was North American Communication Ltd., which was a consulting firm in the city of Edmonton, the head of which was personally known to myself, and whom I knew to have done considerable consulting work with major companies.

While, from a cost point of view, the Northern Alberta Institute group would certainly have been far more popular than the other three firms or individuals, the results, of course, could not be counted upon to be accurate, nor was there any indication that the survey would be set up in the manner which would be statistically accurate and significant. Furthermore, after some consultation with this group, I realized that they would not be able to undertake this survey on a city wide basis, but could only concentrate on a very narrow area. Furthermore, it would take months to complete the actual survey, and in this particular time,

many factors could change thereby making responses from people interviewed in the early part of the survey substantially different from those of people interviewed in the later part of the survey. I, therefore, decided to reject this group, however, I agreed to help them in such a project which they were required to do as part of their course work.

The consulting firm which performed the Vancouver survey, would have been able to do an adequate job and would certainly have been preferable from the point of view that they had conducted a similar survey for the Vancouver area and, therefore, were aware of the problems faced by the Bay, and could quite easily set up an accurate survey. I felt, however, that their familiarity with the Hudson's Bay Company might inject a certain bias into their survey in Edmonton, and secondly, that their survey in Vancouver included only 300 personal interviews which were conducted during the daytime hours in the city of Vancouver among female heads of households. I felt that such a survey could not be totally accurate and to extend this survey to be accurate, would have considerably increased our costs to perhaps $6,000 to $7,000 for the survey alone.

The other individual who was in marketing at the University, although being considered, was not readily available to perform the survey, (and furthermore it would have taken a long time for him to complete) therefore this individual was also rejected.

Our final choice was North American Communication Ltd. and the firm agreed to conduct 1,000 interviews, (300 personal interviews and 700 telephone interviews), provide computer print-outs, and write the final report for a total cost of $3,500.00.

After considering all factors, we felt that from both a price

and qualification point of view, this particular firm was the most suited to our needs.

Selection of Management Trainee

Since I was the Customer Services Manager at the Hudson's Bay Company the market strategy plan was an additional project, which would require considerable time over and above my normal duties, therefore it was necessary to acquire an assistant for the duration of the project. This assistant was to be chosen from among the many assistants in the store and I selected an individual who had joined the Company in October of 1972 and who had been working for an oil company prior to joining the Hudson's Bay Company, moreover, I knew him personally since he had attended the University of Alberta and the Faculty of Business Administration and Commerce. As part of his duties he would be required to gather certain statistics and information, to perform preliminary investigations and some preliminary writing of reports. At the same time, however, he would continue to perform his daily functions in the Customer Services and Workrooms departments.

Summary

By the end of January, 1973, the initial steps for the market strategy report had been completed. There was now available a comprehensive outline of what the final report would cover, the necessary number of dollars, the consulting firm to conduct the attitude survey, and a management trainee to help with the work.

The next major step was to establish the attitude survey questionnaire and the actual survey itself, before writing the final

report. I estimated that the final report would be completed by July, 1973.

CHAPTER III

DEVELOPMENT OF STEPS LEADING TO MARKET STRATEGY REPORT

Conducting the Attitude or Market Survey

The purpose of the attitude survey, was to acquire a profile of the Bay's clientele. Answers had to be found to such questions as: What are the current shopping patterns of Edmonton citizens? Who shops at the Bay? Who shops elsewhere? What does the individual shopper buy? Why does a person want to buy at the Bay?

Answers to these questions would allow me to outline short range plans in the market strategy report so that our present customers could be retained, and also outline long range plans which would allow the Bay to increase its market share over the next ten years.

Initial discussion with consultant as to the form of the survey

On February 19, 1973, I met with the consultant for a discussion as to what form our survey should take. For reference we had a survey conducted by a marketing consultant for the Hudson's Bay Company in Vancouver, where three hundred households were contacted and a specific number of questions asked as to their shopping habits. While this survey was acceptable, we felt that the sample was not large enough and furthermore that the households were contacted during the hours of 10:00 a.m. and 3:00 p.m. which would indicate that most persons contacted in this survey would probably be non-working housewives with children. While

the Vancouver survey stated these shortcomings, we decided that our own survey would have to ensure that the information gathered be as accurate as possible.

We decided finally that a population of 1,000 people would be large enough to minimize fluke distortions, (fluke distortions could come about if the sample was too small, as the Bay is a major employer in the City of Edmonton) and would also represent fairly the whole city and its two major satellite towns of St. Albert and Sherwood Park. The Edmonton population would, furthermore, be treated as homogeneous and the city would be divided into a grid pattern without taking into consideration population density. Within each square of the grid, twelve names were chosen at random from the telephone book and the names and telephone numbers of the chosen were set down in such a manner as to allow one to go back to the sample when and if necessary, and either review or enlarge the survey. The setting down of names and telephone numbers would ensure almost 100% response. A number of grids were circled and marked with capital letters, and from within these grids, samples were chosen for personal interviews.

We decided that one hundred names were to be drawn from the total sample to test the questionnaire, of which seventy people were to be contacted by telephone and the remaining thirty people were to be interviewed in person. The purpose of the test survey was to provide some indication of what the final results might be, while it also tested the questions. After the results would be known from the test survey some of the questions could be deleted, others added, and rearranged as required. The remaining nine hundred names were to be interviewed for the actual survey, of which two hundred would be personal interviews and seven

hundred telephone interviews. The interviews were to be conducted over a period of three weeks so as to minimize any errors due to time delays. After the interviews the completed questionnaires would be collected, tabulated, put through the computer, correlated, and the findings analysed.

Establishing the Questionnaire

We decided that the questionnaire would be open ended, whereby certain questions would be formulated and then additional questions would be formulated for each possible response by the person being interviewed.

The initial questionnaire was drawn up by our consultant and presented to me on February 27, 1973.* This questionnaire was to be presented to a group of select Bay executives for discussion. The purpose of this discussion was twofold: first, we wanted to ensure that the questions asked were considered relevant by the Bay executives and provide them with an opportunity to change questions and add others to obtain certain information. Secondly, it would provide me with the opportunity to introduce the select group of Bay executives to our project, and to introduce to them the consultant and his staff.

The meeting, which was scheduled for March 5, 1973, lasted approximately two and one half hours and was extremely productive. Each question from the original questionnaire was discussed and during this process the entire project crystallized in the minds of many people. Out of this discussion arose the final questionnaire**which was used

---

* See Appendix III
** See Appendix IV

for our test run of one hundred people. This test run did not disclose any questionnaire shortcomings and there did not appear to be any problems with statistical errors. We were now ready for the main survey.

Conducting the main survey

The main survey was scheduled to be conducted during the last three weeks of March, 1973. The interviewers were well received by the sample population. The interviewers, however, were careful to avoid revealing that the study was being performed for the Hudson's Bay Company, as this could very easily distort results and may have even caused some people not to answer the questions. The interviewers were also careful to ensure that the population of the sample was interviewed during the evening so as to ensure that a wide cross section of people were sampled, such as households where both members work, housewives, men, single people, as well as teenagers. This was a shortcoming, as mentioned, in the Vancouver survey, where households were only interviewed during the day which could distort the results severely. Generally all questions on the questionnaire were answered well. Question number nine provided some problems as the person was not given a choice of answers but was free to discuss any service he or she felt a department store should offer. This appeared difficult for many people who had never thought about this type of problem. Some people were also hesitant to answer the question at the very end of the questionnaire regarding family income. A number of people refused to answer this question and after analysing the results by computer it was felt that family income was often overstated by the respondents. Nevertheless, the results of this question when correlated with answers from other questions provided us

with a wealth of information regarding the shopping patterns of people in a certain family income bracket.

Results of questionnaire and discussion of findings

The results of the questionnaire were available by April 10, 1973, however, some of the results were as yet to be correlated with one another and the results presented to us in a report with conclusions and recommendations which would be the main base upon which a market strategy would be established.

After examining the results, some skewing became evident. For example, a disproportionate number of people were interviewed in both Sherwood Park and St. Albert. These are smaller centres on the perimeter of Edmonton, yet they were treated as if they were homogeneous and though more heavily sampled, became an integral part of the survey. The populations in these centres do most of their shopping in Edmonton; however, on their way into Edmonton, they come first to shopping centres that do not have Bay outlets and, therefore, their patterns of shopping must show bias toward competitive department stores. Possible further skewing is due to the fact that the density of the population in downtown Edmonton was not considered. Although the downtown area is small, part of it has a density of 300 people per acre, and part of it 150 people per acre, while Edmonton in general has a density of only 50 people per acre.

Question one simply indicated that 67.6% of the people shopped for food at Safeway and 15.3% shopped at Woodwards. The remaining 17.1% of persons interviewed shopped at nine other major food retailers which included the Bay and Eatons at 0.5% and 0.3% respectively. The Woodward food stores are probably a major factor in Woodwards retail strength in the

Edmonton area.

The department store that people shop at most is Woodwards at 47.8%, followed by Simpsons Sears 20.5%, the Bay 15.9%, Woolco 5.9% and Eatons 5.7%. This is perhaps the most important question of the survey and is correlated with questions two, three, nine and ten.

Question three points out that convenience is the most important item that the customer looks at, followed by service, and then by price. In the downtown area, there is a population in the medium household income bracket which does have a tendency to look closely at how to apportion their disposable income -- to them, prices are important. In St. Albert, which is in the suburbs, convenience is number one, service number two, while quality is number three. One could assume then, that there might be a tendency among these people to come in and shop at the Bay with some expectation of quality.

Question four has to be correlated with question two in order to perceive how the Bay is affected. One could assume that people first coming into town either shop downtown because they do not know the city and/or that they tend to follow the patterns they had established elsewhere. In the second and third year (where the Bay is weak), it could simply mean that people have by then moved to the suburbs and are, therefore, much closer to shopping centres, or it could mean that the Bay has been unable to keep them as customers. The Bay does well with people who have been in Edmonton over five years.

Question five indicates that 44.6% of the people interviewed shopped once each week at a department store, 21.3% shopped every two weeks, 18.8% shopped once per month, 9.9% shopped on impulse and 5.0% shopped only on a planned basis.

In question six, of the people interviewed, 94.2% shopped in person, 2.6% by telephone and 2.9% by catalogue.

In question seven, 79.3% of the respondents shopped in shopping centres as compared to 17.5% who shopped downtown. This question, however, could be misleading. For example, what it does not take into consideration is that many people shop during office and lunch hours as well as right after work. Many of these people are concentrated in the downtown area, but were not covered in this survey. (For example, in other customer surveys it was found that as much as 28% of the population of Edmonton shops in the downtown area.) What does seem important is that a great number of people shop once a week, which should enable a department store to establish a very frequent rapport with its customers and thereby increase loyalty.

Question eight indicates shopping centre patronage with 22.2% of the respondents shopping at Southgate, 17.1% at Westmount, 10.5% at Northgate, 10.4% at Londonderry. Progressively fewer people shopped at the various other major shopping centres.

It is interesting to note that while Londonderry and Northgate are patronized by almost the same number of people in 1973, Londonderry has only been open for approximately six months as compared to Northgate which has been open for 7½ years. It will be interesting to see the results a few years hence.

Question nine asked the respondents which department store gives the most for your money, has most courteous staff, has most knowledgeable salespeople, has best selection, has best return policy, and makes it easiest to find what one wants. In all instances, Woodwards was number one, followed by Simpson Sears and then the Bay.

Question ten reveals the strength and weaknesses of the different departments only through further analysis.

In question eleven, it was hoped to solicit comments in regard to additional services within the department store that we might offer. However, it was obvious that customers perceive service in regard to the completion of transactions. Less than 50% of those asked the question replied and the majority were critical of all department stores. The only significant observation in regard to new services was a request for a babysitting service.

Question twelve in dicates that the Bay does not have as many credit cards out as its competitors and later correlations showed that customer loyalty and retention is a factor of the credit card.

Question thirteen shows that all department stores have suffered equally (about 8% loss) since Chargex, and could lead one to assume that a new card of similar nature may conceivably further erode customer loyalty.

Consultants Report on Market Survey

The market survey report was completed by our consultant by June 15, 1973. It can not be included in this thesis because the results are confidential at this time; however, a brief discussion can be provided. The format was as follows:

I) Introduction

(a) Summary of Project

(b) Scope and Objectives

(c) Research Plan and Method

(d) Discussion of Findings

II) Conclusions and Recommendations

Appendix I

(a) The Bay as perceived by its clientele

(b) Credit cards

(c) Profile of the stores' clientele

(d) Comparative strengths of departments

The report was divided into two main parts. Part one was the introduction, with a brief summary of the project; an outline of the scope of the project and the objectives to be reached; a description of the research plan and method; and a brief discussion of the findings.

Part two provided the main body of the report. The conclusion was that the Bay in Edmonton, although well established and highly regarded, has been faced with strong competition which in the future would become even stronger. It was found that credit cards were important as people shopped most where their credit was established. If a customer has more than one credit card then convenience and service will be the main factors influencing his 'where to buy' decision. The Bay's clientele appears to be the upper income group, with Eatons and Simpson Sears having lower and middle income groups as their main customers. Woodwards appears to draw from all income groups. Shopping centres and knowledgeable staff seem to be very important to the Edmonton shopper.

Part (a) of the appendix discussed how the Bay is perceived by its' customers and the customers of other department stores. In this section the results of the questionnaire were correlated with each other which provided highly meaningful information. Part (b) discussed credit cards and their importance to the Edmonton shopper. It was found, quite surprisingly, that

Chargex did not seriously erode the use of the individual department store credit cards. Part (c) provided a profile of the Bay customer, such as the income bracket, age, what their likes are generally, and what their shopping habits are. Finally, in part (d), a number of departments were compared to departments of the competition to determine our merchandise strengths and weaknesses. The following is a summary of the conclusions of the market survey:

(1) The five major department stores probably rank in volume as follows:

Woodwards

The Bay/Simpson Sears

Woolco

Eatons

(2) Of great importance is the rapid market penetration of Simpson Sears; the great dominance of Woodwards total retail plant, and the advent of Woolco.

(3) The Bay needs more stores which are conveniently located throughout the city.

(4) The Bays' credit card distribution is inadequate and must be increased quickly.

(5) The Bays' return policy must be promoted.

(6) Staff training needs to be increased with particular emphasis on courtesy and merchandise knowledge.

(7) The merchandise assortments in the children's wear department must be examined and reappraised.

(8) The Bay must strengthen its appeal to the middle income family group. It appears to have the youth market and the

affluent market but has not been able to capture the 25 to 35 year olds with an income between $10,000 - $15,000 per annum.

(9) Indications that the Bay has had poor acceptance in the Southgate shopping centre - one third Bay, two thirds Woodwards - is alarming and requires intensive merchandise assortment examination.

(10) The Bay's strong and weak departments of those surveyed are as follows:

Strong	Not Significant	Weak
Cosmetics	Stationery	Hardware
Sporting Goods		Drugs
Home Furnishings		Major Appliances
Color T.V.		Small Appliances
Men's Clothing		Children's Clothing
Ladies Clothing		

The information provided by the market survey report indicated to top management the position of the Bay vis a vis its competition, It also indicated the areas of weakness in the Bay allowing top management to take immediate corrective action for both the short and the long run. Finally, it provided me with an indication of the Bays' position in the market place of 1973. With this basic information it was now possible to devise a market strategy for the Hudson's Bay Company so as to secure a greater share of the market over the next ten years.

The Writing of the Market Strategy Report

Introduction

The market strategy plan outline as seen in Appendix I was a preliminary outline which was subsequently refined and a detailed outline was finally drawn up (see Appendix II). This outline, however, had to be simplified again for the final report because the statistics required were found to be too difficult to obtain or not available in time to be included in the market strategy report which was to be completed by the end of June, 1973. Consequently, the market strategy report format was changed as follows:

INTRODUCTION

PART I — Economic Outlook

PART II — Future Retail Trends

PART III — Market Strategy

- Present Competition
- Target Market
- Merchandise
- Price
- Place
- Sales Promotion
- Market Strategy Recommendations

The introduction provided the reasons for the market strategy report. Part one gave an indication of the economic outlook for Alberta, particularly for Edmonton for the next decade, and it was concluded that Alberta's economy would remain strong over this period of time with an increasing population and that the Alberta and Edmonton retailer

could expect continuing sales increases. Part two examined current retail trends and the factors which could influence the consumer in the future. It was concluded that consumer's lifestyles which, at the present time, are changing quickly and dramatically would make future retail trends difficult, if not impossible, to forecast.

Part three presented the actual market strategy with a brief description of the competition, definition of the target market to whom the Bay would like to appeal, and the development of a marketing mix to ensure that the target market selected would be provided with the right merchandise, at the right price, at a convenient place, and with the appropriate promotional exposure.

Analysis of the Target Market

Before we actually analyse our target market, a few definitions should be discussed. Target market refers to "the particular group or groups of people to whom we wish to appeal". Once this has been selected, then the marketing mix must be established. The marketing mix is "the proper combination of the right product at the right price, offered at the right location and supported by the right promotional activity." When we use the word consumer, we will refer to all the consumers who could possibly be considered as potential target market customers. When we speak of customers, we will refer more specifically to individuals who patronize our stores.

In identifying our target market, it is important to understand the consumer. Consumers generally have a desire to purchase and own goods, regardless of whether they are financially able to purchase these goods or not. Most people still cherish material objects as status symbols to

signify their position in society, even though the types of items purchased by the individual today may be very different from those types of objects purchased 10-20 years ago. Material objects indicate the individual's position in the community, his fashion sense, his tastes, his differences and also his preferences.

The department store is in an ideal position to entice people to purchase merchandise because of their physical size, and because the consumer who is not decided on specific purchases, is free to browse through a far broader assortment of merchandise than available elsewhere.

The department store must provide the consumer with two basic things:-

(1) it must have a large assortment of basic merchandise, clearly displayed and also an assortment of merchandise which is new, different and exciting,

(2) the store must make it relatively easy to purchase merchandise by either using salespeople or self-service and by having a readily available credit account system.

The product is, therefore, the prime method of distinguishing oneself from others with place (location of stores), pricing and promotion being secondary in importance. If we can demonstrate to the consumer that our store is able to offer a broad assortment of basic merchandise in addition to providing new and different merchandise, they will be inclined to become customers and price will only be used to establish preference between different types of goods, provided that similar merchandise being sold in other stores is priced competitively.

Advertising, while extremely important in making the consumer aware of what goods are available for purchase, nevertheless doesn't create a basic desire in the consumer to own goods. The desire to own goods is already present. While location of stores is secondary, having a number of different locations throughout a large metropolitan area is certainly to a depart-

ment stores advantage if it wishes to be the dominant retailer.

For a department store to succeed in the future, it will have to ensure that the following three factors are met:-

(1) it must create an image for itself of having a large assortment of basic merchandise available to the consumer at all times,

(2) the image which it creates must appeal to the broadest group of people in society and, particularly, it must appeal to the group of people who hold the largest share of disposeable income,

(3) the department store must be a fashion leader, style leader, and lifestyle leader in the community.

Our target market is, therefore, identified as being the middle income family, with adults generally between 25 - 40 years of age. While this target market has been recognized by Woodwards, Simpson Sears and the Bay for a number of years, Woodwards and Simpson Sears appear to have been more successful in capturing this market. It would appear that our basic merchandise assortment does not appeal to the middle income family and therefore must be examined as quickly as possible. The middle income family is likely to be:

- relatively conservative
- gadget conscious
- home and family oriented
- interested in family outdoor activities
- likes casual fashions
- lower priced children's wear

- do-it-yourself hobby fans
- still geared to the automobile

Analysis of Product Mix

(a) Merchandise

For our purposes, merchandise will be divided into three classifications. First, we have BASIC merchandise, which are items necessary for daily life and which are generally required or wanted by the customer. This group would include such items as erasers, pencils, wool, golf clubs, television sets, certain standard sizes of rugs, toasters, etc. The second group of merchandise is FASHION items, which will basically remain in demand over a long period of time, nevertheless, change in style. Such items as men's suits, ladies dresses, men's and ladies shoes, are items in this category. Finally we have TREND items, which are radically different from any previous items we have carried either in design or style but which the Bay should nevertheless carry. Such items as electronic calculators, when they were first put on the market, are an example of this category. It is important to remember that a trend item may become a fashion item and eventually a basic item.

To appeal to our target market, we must always carry a reasonable assortment of basic merchandise, and this merchandise can never be out of stock. Furthermore, we must have an assortment of fashion merchandise with a proper size assortment. While the assortment in this type of merchandise should be as broad as possible, it must have an in-depth assortment of sizes. Since financial constraints are always present, however, it is better to limit the assortment in styles in favour of an in-depth assortment of sizes.

To extend our appeal to other groups of consumers who are not

considered to be our target market, such as the higher income groups, and young people and students, we must carry trend merchandise. This merchandise will distinguish us as being leaders in fashions, and life-styles. It will also allow us to cater to those consumers who would prefer more exclusive merchandise and who are insensitive to paying a higher price. Quite simply, we want to continue to cater to our present group of customers, who are primarily upper income groups and young people, but nevertheless capture the middle income family who is now considered our target market.

An excellent example of this redirection in our merchandising can be seen in our sporting goods department. We have a reasonably good selection of fishing equipment, golf equipment and similar basic merchandise. However, since bicycles and hiking equipment have become popular, we have exploited this area by having a large selection of this merchandise and by devoting considerable floor space to it. It makes us a leader in "fashion" merchandise. At the same time, however, we have such items as ten speed tandem bikes, a side by side bicycle, and gliding kite, which are new and different and establish us as a leader in sporting goods merchandise. This type of merchandising is certain to have an effect on how customers regard the sporting goods department. A merchandise analysis of this type should be performed on other departments and the results should be examined in terms of sales. Our children's wear and hardgoods departments should be carefully examined in this respect.

Assuming that our target market is reasonably conservative it is extremely important that the methods employed to separate our fashion items from our trend items are reasonably conservative. While boutiques are an answer, it was clearly evident during the opening of our Southgate store,

that this manner of merchandising was not accepted by the majority of consumers even though this store was located in a relatively high income area. A modification of this concept of boutiques however proved more successful in our Londonderry store even though this store is located in a generally lower income area. When we examine Woodwards, Simpsons Sears and Woolco, we find that their emphasis is on merchandise and signing, rather than decor which appears to be a successful approach in Edmonton. If the Bay were to emphasize merchandise appeal to the middle income group together with a "moderately futuristic" decor, as in Londonderry, results could be dramatic.

In our merchandise development programs, we must ensure that we exploit those areas that will have great demand in the coming years. Our home furnishings and home decorating departments should be co-ordinated with the interior design studio and become increasingly involved in advising the customer what types of furnishings would be suitable for their home. While our merchandise in these areas appears to be relatively attractive, we nevertheless have merchandise which does not seem to fit into our total concept. Furthermore, some areas in home decorating could be expanded. An art gallery for example might be developed so as to offer our customers a fairly substantial assortment of original Canadian paintings at various price points. We should also establish a stereo component section, as this type of merchandise appears to be gaining great popularity and in the future may become the most important single commodity for apartment dwellers. The traditional stereo is too bulky for most apartments and at the moment it does appear to be passe to have a one-piece stereo set. According to our survey it would appear that our T.V. and Stereo department is reasonably well patronized by the Edmonton shopper, however, the same

cannot be said for our appliances. It seems that our competitors have an edge in appliance sales and the Bay might gain significantly in both of these departments if a concentrated effort could be made to promote the Baycrest name. We must ensure, however, that merchandise with the Baycrest name has the quality that is generally associated with the Hudson's Bay Company.

The Bay appears to be relatively well established in men's and women's clothing, however we seem to lack acceptance in children's clothing. By far the best selection in children's clothing appears to be Simpsons Sears, with the Bay showing relatively poorly in this area. When we examine the other three department stores that were surveyed, the Bay appears to be very strong in home furnishings, but relatively weak in both hardware and drugs. Simpsons Sears appears to be very strong in hardware and Woodwards are very strong in drugs.

Merchandise services are perceived by our customers as either enhancing the product or detracting from it. Our survey showed that the credit card being carried by an individual will determine in many instances where that particular individual will shop. According to our survey the greatest penetration of credit cards was achieved by both Woodwards and Simpsons Sears, with the Bay in third place. Either we have done an inadequate job in distributing our credit cards to Edmontonians, or our credit policies are too stringent, or both. In any case, it is something that must be rectified immediately and it is our suggestion that a major advertising campaign be instituted offering free credit for the first month.

The survey also indicated that our customers tend to regard us as being in second place in staff courtesy and merchandise knowledge. Salespeople are perceived by our customers as being the Bay, and depending on the attitude, morale, motivation and knowledge of our employees, this will

be the image that the customer perceives of the Bay. While it is virtually impossible to change the individual it is nevertheless possible to stimulate the above mentioned qualities in our employees. If they believe in the Company, the operation and its goals, and realize they are representing the Bay, then a different attitude may develop. This, however, can only be done through training. The personnel function is the primary instrument initially, however, once an individual is in a department, it becomes the responsibility of the department manager to further the individual's training. Departmental training is especially important where the individual requires special or detailed knowledge to be successful. Specialized knowledge in turn gives the employee confidence, assurance and pride which, in turn produces courtesy when faced by the customer.

Our image can be further enhanced by stressing our unique services, thereby making the Bay as complete a one stop family shopping centre as possible. The number of special services offered by the Bay at this time far outnumber the services offered by any other department store in Edmonton. We must constantly search for new services which will be beneficial to both our image and customers, and we must ensure that these services compliment our total customer appeal. Services that are related to our merchandise therefore, deserve more consideration and development than services that are not related to our merchandise. Rentals, repairs and home improvement are demand areas. We should also emphasize our unique food service package and look for opportunities to expand.

(b) Price

While our merchandise assortment is of primary importance in our appeal perhaps, of more importance is value. Our survey indicates, unfortunately, that very few consumers fully understand the word value, and therefore stressing price and quality would be more effective initially. We define values as "the best quality merchandise at the lowest possible price".

It is of utmost importance in capturing our target market to be competitive with other department stores. A product which is identical to ours and sold in another department store should obviously be priced identically at the Bay. A product which is slightly different or a service which is different should be exempt to some degree from price competitiveness. It is difficult to measure the service provided to customers by two different retail establishments, therefore, if one establishment charges a slightly higher price because they feel their service is superior, then this difference in price may be justified. Identifying the "best value" is a path we should follow to entice the middle income shopper into our stores.

(c) Place

Our survey of 1,000 people in the Edmonton market indicated that the majority of customers based their store selection on convenience. This we can interpret to mean convenient location. Work done late last year by a marketing group at the University of Alberta indicates that a shopping centre's appeal diminishes in concentric circles as one gets farther away from a shopping centre location itself. When we consider that the Bay did not enter the Edmonton suburbs until 1970, it is very easy to appreciate our difficult position. Our survey indicates that between 60% and 70% of

Edmonton shoppers patronize a shopping centre location, rather than downtown, and therefore our success in the Edmonton market will depend on our merchandising effort in the suburbs.

Downtown Edmonton, nevertheless, remains a healthy and growing part of the city. We know it to be lively and expanding. It has been the recipient of multi-million dollar investment in the past decade, which seems to be accelerating rather than diminishing. The downtown working population will probably continue to increase as well as the residential appeal of the central city core. The concept of our downtown store as a flagship store is important. It is our image location and if the middle income family is to be our target, it should be downtown where we assert this objective, by providing in-depth assortment of popular priced merchandise. It is also necessary that our downtown store be a leader in trend merchandise. It should be an exciting place to shop providing all of the services that the customer identifies with the Bay. We must also continue to expand to the suburbs which would come about in a number of ways.

1) Additional branch stores with a floor space of 100,000 to 160,000 square feet. Our future branch stores should be located in areas with a population of approximately 60,000 to 90,000 people. Our merchandise assortment in these branch stores should attempt to cater to the particular population living in that community. While the branch store should have basic, fashion and trend merchandise, the assortment can be considerably reduced from that in the downtown store. Future branch store sites in the west and northwest should be developed and the expansion of the Southgate store should be contemplated.

2) Community stores could be located in key areas throughout the metropolitan community where branch stores do not exist and where the likelihood of regional shopping centres is not great. A community store

should have a floor area of between 25,000 and 60,000 square feet. The community store would carry no trend merchandise but should have a good selection of basic and fashion merchandise in the departments which are represented in the store. It is interesting to note that Simpsons Sears' entry into the Edmonton market was on the basis of a community store. Bonnie Doon opened in 1959 with 39,000 square feet and expanded to 70,000 square feet in 1967. Meadowlark opened in 1963 with 41,000 square feet and expanded to 92,000 in 1969. In the future a community store could possibly be considered for the Millwoods area and also Sherwood Park if in fact the Edmonton Regional Planning Authority does approve an eventual population of Sherwood Park of 75,000 people or more.

3) Warehouse stores - west Edmonton seems to have generally accepted our warehouse store. This particular vehicle is credible and probably improves our price-value image. If our warehouse store continues to grow at an acceptable rate, we should look for a second location probably in south or southwest Edmonton.

4) Home Fashion centres - elsewhere in North America, a marketing trend seems to be the free-standing furniture store in areas other than downtown. These have very successfully penetrated the market in the United States and have commenced operations in Ontario and Quebec. The home fashion store might provide a good opportunity for quick achievement of dominance in home fashion. A future free-standing home fashion store could be combined with a food service operation.

5) Specialty stores - Rich's of Atlanta are a good example of a retailer who use the speciality store concept to expand downtown. We have recently seen Woodward's move into the Northgate Mall with a book and flower shop, and, of course, Woodwards at the opening of Southgate had

a book store in the mall. This particular vehicle could be used by the Bay in downtown Edmonton to establish specialized market appeal. We do not see specialty stores as an immediate requirement, but something that could be considered as the opportunity arises.

6) T.B.A. Auto Centres - Woolco, Woodwards, Simpsons Sears and most recently, Zellers in Sherwood Park, have all established retail facilities in the Edmonton area to serve the motorist. It is our feeling that this type of operation could complete our overall appeal. A future establishment of T.B.A.'s should be carefully considered.

7) Food Services - with the establishment of our central commissary in the downtown store, we can very easily extend our food service operations independent of our retail locations. Again, our recommendation is that opportunities should be considered, as they present themselves.

By 1974, Woodwards, with the opening of Edmonton Centre, will have approximately 500,000 more square feet of retail space than the Bay. Our future expansion in the Edmonton area can be achieved through a variable mix of the above grouping. In addition to the growth in Edmonton itself, the satellite communities in this part of Alberta appear to be very healthy. With a population of 55,000 people and increasing annually, we should carefully watch the following specific areas - St. Albert, Fort Saskatchewan, Leduc, Sherwood Park and Spruce Grove. All of these communities are affected in a beneficial way by the rapidly accelerating land costs in the city itself.

(d) Sales Promotion

The quality and content of our visual presentation and advertising generally reinforces our strong youth and quality appeal. It does not,

however, always reflect a family department store with a desire to portray a strong value and service image.

Our visual presentation and advertising concepts should be refined to support new directions in market strategy for the future.

- develop value-image program
- co-ordinate appeal to middle income family
- develop in-store demonstration program for downtown
- expand promotion of unique services
- re-direction of institutional advertising
- consider specific market appeals for
  (1) downtown working population
  (2) apartment dwellers

If we are to successfully redirect ourselves to a strong appeal to the middle income family in the name of value and service, we will require the full co-operation of every member of our management team.

CHAPTER IV

THE COMPLETED REPORT

The market strategy plan was completed in the latter part of August, 1973. It was typed and copies were made for distribution to senior management. The report was to be discussed at a meeting with senior management during the first week in September. The meeting was attended by the General Manager of the Edmonton region, the General Merchandise Manager, the Operations Manager, the Controller, and myself. They had read the report and noted a few questions which required clarification. Generally, however, the report was well received. It had succeeded, together with the market survey, in pointing out the weaknesses in relation to our competition. It was generally believed, prior to these reports, that we were in a better position in relation to our competition; however, this notion was destroyed by the market survey. This realization, however, had already been made after the initial market survey results had been available in April, and the consensus at the meeting was that definite action was required quickly.

The new market strategy hinged on the middle income family as our new target market. Our market survey had indicated that both the high income group and surprisingly the low income group patronized the Bay. (The latter group was largely made up of students who had always considered the Bay as the place to shop). It was, therefore, felt that the greatest benefit could be gained by appealing to the middle income

family in our promotional and merchandise appeal.

It had been the market survey which pointed out that our previous objective of appealing to the middle income family was a failure and that the Bay's previous image of good quality and high price was still being perceived by the consumer. The price-value image which the Bay was attempting to project was apparently not being understood or perceived by the target market. Immediate changes were, therefore, made in our promotional strategy in an attempt to convince the consumer that though we were selling high quality merchandise our prices were competitive.

The second major recommendation was also acted upon immediately, namely that our retail square footage in Edmonton would have to be increased as quickly as possible by establishing additional retail outlets so as to remain competitive with Woodwards and Simpson Sears. The addition of retail outlets, however, is a long term problem and it was estimated that no major changes would be completed in this area prior to 1976. Therefore, alternative changes would have to be made, mainly in our merchandise assortments, increasing the number of Bay account cards in circulation, staff training, and the upgrading of miscellaneous retail services; such as better checkouts and sales desks, and improvements in our delivery systems. It was also considered that our return policy, while extremely liberal, was not communicated to the consumer. It was agreed that our return policy would be promoted through advertising. Virtually none of my recommendations were rejected and the consensus was that the entire study had been well done.

The market strategy report was left with the General Merchandise Manager of the Edmonton region for the formulation of specific action

plans for the Edmonton stores and for the merchandise divisions. The merchandise assortments were to be completely reappraised with regard to quality and price. The General Manager and Operations Manager were to examine the retail outlets which could possibly be established in both the short and in the medium term. Action in this area, however, required approval from Head Office for capital expenditures and I was required to provide a summary of the report for Head Office Personnel. At the time of writing, this report, in summary form, is at Head Office.

CHAPTER V

CONCLUSION

At this time it is not possible to determine whether by 1983 the market strategy as presented will have been successful. In a changing environment such as is evident today a completely different strategy may be called for in a very short time. What is important, however, is that resources were spent by a retail company to determine their position in the market place and to initiate immediate action when it was found that the true position in the market was different from that which was assumed. I would hope that a market survey would be conducted in intervals of two years so that it can be determined if the market strategy as proposed in 1973 is leading the Hudson's Bay Company, in Edmonton, in the direction of increasing its market share.

From the time I was first asked to undertake the market strategy study until its completion in September of 1973 a total of ten months had elapsed. This particular project was an experience in both organization, and in completing a major project of some importance.

Mistakes were made in forming plans of action and many changes were made in these action plans until the strategy report was finally completed in three to four months. Nevertheless, it was a learning experience for myself in undertaking such a project and in its completion. It is gratifying, however, to realize that the effort had managed to uncover problems which were not realized as existing prior to these studies, and that this realization was followed by quick action to reverse an otherwide dangerous trend.

BIBLIOGRAPHY

Future of Retailing. A study conducted by Robinson Associates, Inc. Sponsored by the Bureau of Advertising ANPA, December, 1972.

Kerlinger, Fred A. Foundation of Behavioral Research, New York: Holt, Rinehart and Winston, Inc. 1964.

Litvak, Isaiah A. and Mallen, Bruce E., eds. Marketing: Canada. New York: McGraw-Hill, 1964.

McCarthy, Jerome E. Basic Marketing: A Managerial Approach. Rev. ed. Homewood, Illinois: Richard D. Irving, Inc., 1964.

Nebenzahl, Paul. "Hear, There & Everywhere", A Newsletter for Retail Executives, September, 1972, New York: Harrison Services, Inc., 240 Madison Ave.

Reilly, Philip J. Old Masters of Retailing New York: Fairchild Publications, Inc., 1966.

APPENDICES

APPENDIX I

IDENTIFICATION OF PROBLEM AND PRELIMINARY OUTLINE

Our objective in establishing a marketing plan is to determine the following:

A. Who is our customer (target market)
- in the Edmonton region generally
- in each our stores, specifically

B. What should be our product mix
- what is our merchandise strength now
- how must this merchandise be distributed among our stores
- quality of merchandise and price
- how should our merchandise be promoted

To establish a general market plan for the Hudson's Bay Company in Edmonton for the next ten years, we propose the following:

A survey to be conducted within the City of Edmonton, including the suburban areas of Sherwood Park and St. Albert, to determine the following:

(a) The Bay's present competitive position in the market place and the competitive environment in which it operates

(b) Consumer perception of the Bay's competitive strengths and weaknesses

(c) The Bay's competitive standing in key product areas and services

The results of this survey should provide us with information about our present target market and our product mix.

Once our present position in the Edmonton market is known, we can then establish:

(1) What character our Edmonton stores should portray. In this respect it is important to clearly define what section of the population we want to appeal to

(2) What challenges we will be faced with over the next ten years, and how our competition will react to meet these challenges

Once the survey has been conducted and the results analysed, all other information gathered, we will then be in a position to outline a general market plan to guide us over the next ten years. Once the marketing plan has been established we should conduct our original survey at periodic intervals, to determine how effective our market planning is, and how our position has changed from that established in 1973.

Attached is an outline of our study.

A STUDY TO DETERMINE A GENERAL MARKETING STRATEGY PLAN
FOR THE HUDSON'S BAY COMPANY IN EDMONTON - THROUGH TO 1983

1. The retailer in Edmonton

   - a brief discussion of the major retailers in Edmonton in 1973

2. The position of the Hudson's Bay Company in retailing in 1973

   - an analysis of our marketing strategy, market share and the consumer attitude towards the Bay. This will also include a media analysis.

3. The challenges facing the retailers in Edmonton in the future, with emphasis on the next ten years:

   (a) geographic changes
   (b) demographic changes (population)
   (c) psychographic changes (lifestyles)
   (d) buyographic changes (shopping habits)
   (e) mediagraphic changes (communications)

4. How will the Hudson's Bay Company's competition in Edmonton react to these challenges:

   - a general discussion of what the competition may do, and what new competition we may be faced with

5. How should the Hudson's Bay Company in Edmonton react to these challenges:

   - should new stores be planned
   - what types of stores should be considered - e.g. normal retail stores vs. Baymart stores
   - what shopping hours should be
   - self service vs. more personalized service
   - the importance of services, etc.
   - new methods of retailing - cable T.V.
     computer terminals

6. A general marketing strategy for the Hudson's Bay Company in Edmonton in 1983

   (a) an analysis of our target market
   (b) an analysis of our product mix

7. Summary

APPENDIX II

COMPREHENSIVE OUTLINE

In examining our outline for the general marketing strategy plan for the Hudson's Bay Company, we would like to provide a more specific manner of attack. First, we would like to discuss the retailer in Edmonton. We are concerned with five primary retail organizations - The Bay, Woodwards, Simpson Sears, Eatons and Woolco. We will discuss where they are located in Edmonton including all warehouse stores and service centres. We will draw up a map of the city of Edmonton and attempt to identify the trading areas of each of these centres. We will then provide a brief summary of what each of these retailers is to the Edmonton public.

For chapter two, we are primarily concerned with the present position of the Hudson's Bay Company in Edmonton. We are conducting an attitude survey of our customers and we hope that this will give us some idea of where we are. As an introduction, we can interview a number of senior executives and buyers who will provide us with some idea of where we think we are at the present time and we can then compare this with the actual results from our market survey.

Chapter three of our market plan outlines the challenges facing the retailer in Edmonton in the future. There are five - geographic changes, demographic changes, psychographic changes, buyographic changes and mediagraphic changes. We will first attempt to list all the possible changes in these five categories that may affect the retailer in Edmonton. We will then analyse these changes and divide them into insignificant changes and changes of moderate significance and changes that will have a major impact on retailers in Edmonton. Thereafter, we will analyse these and discuss briefly the changes of moderate impact

and discuss in detail the major changes.

In chapter four "How will the Hudson's Bay Company's competition in Edmonton react to these challenges", we will discuss what our competition may do and what new competition we may be faced with. In this instance, we will also consider all those smaller retail forces that may come into being.

In chapter five, we will discuss "What the Hudson's Bay Company must do to react to these challenges brought forth in chapter three". By this time, we should be able to categorize the challenges facing us and have a specific number which can be discussed in detail. For instance, we can talk about whether new stores should be planned in the Edmonton area and what types - should we go for more Baymart stores, or smaller type stores in areas such as Sherwood Park and possibly Mill Woods. We can also discuss what our shopping hours should be for the Bay in Edmonton. We can discuss whether we should have more service(self), such as Woolco is utilizing; or whether we should have more personalized service. We can discuss the importance of services in general, services other than retailing. We can discuss new methods of retailing, such as the use of Cable T.V., computer terminals, improved telephone shopping service, and catalogues. We hope that the information thus gathered will help us in formulating a general market strategy.

Chapter six will concern itself with the analysis of our target market and our product mix. Once we have determined who our customer will be - what age group, what income group, and other characteristics - we will then be able to determine the product mix - what kind of merchandise, where it should be sold, at what price, and with what kind of promotional appeal - so that our target market customer will be satisfied.

Finally, chapter seven of our study will be a brief summary.

CHAPTER ONE

1. EDMONTON CITY ANALYSIS

location of Edmonton

major towns surrounding Edmonton within 25 mile radius

discuss their impact on retailing in Edmonton

2. ANALYSIS OF RETAILER IN EDMONTON

(list and brief description of strength and weakness)

large retailer

medium retailer

small retailer (chains)

special retail outlets such as warehouse stores, etc.

3. LOCATION OF MAJOR RETAILERS IN CITY

discuss shopping centres and downtown

impact of these shopping centres on total retail dollar

map (outlining shopping centres and major retailers)

other statistical data

4. BRIEF DISCUSSION OF GROWTH OF CITY

prepare map with shaded areas showing growth in area

(to be discussed in more detail in Chapter Three).

CHAPTER TWO

1. INTRODUCTION FOR ATTITUDE SURVEY

2. RESULTS (this will probably include the method used in arriving at results)

3. CONCLUSION

CHAPTER THREE

1. BRIEF DISCUSSION OF THE FOLLOWING FACTORS GENERALLY

   (a) geographic changes.
   (b) demographic changes (population)
   (c) psychographic changes (lifestyles)
   (d) buyographic changes (shopping habits)
   (e) mediagraphic changes (communications)

2. DISCUSSION OF HOW THESE FACTORS MAY INFLUENCE RETAILING IN EDMONTON

   (a) Generally

   (b) Selecting those factors which will provide the most significant impact on retailing and discussing them at length

CHAPTER FOUR

1. HOW WILL THESE FACTORS OF MAJOR SIGNIFICANCE DISCUSSED IN PREVIOUS CHAPTERS, STIMULATE OUR COMPETITION INTO ACTION

2. WHAT NEW COMPETITION MIGHT THESE FACTORS BRING INTO BEING

CHAPTER FIVE

1. HOW MUST THE BAY REACT TO THESE CHALLENGES AND THE REACTION OF THEIR COMPETITION

   (a) new stores - size, type, location, Baymart stores, warehouse stores, self standing home furnishing stores, catalogue show rooms, etc.

   (b) Shopping Hours

      (i) extending hours

      (ii) shifting hours

      (iii) Sunday opening

   (c) self service vs. personalized service

   (d) non-retail services

   (e) leasing of unprofitable departments to specialists

   (f) new methods of advertising

CHAPTER SIX

1. AN ANALYSIS OF OUR TARGET MARKET

   (a) age group

   (b) income group

2. AN ANALYSIS OF OUR PRODUCT MIX

   (a) price

   (b) product

   (c) place

   (d) promotion

CHAPTER SEVEN

1. BRIEF CONCLUSION

APPENDIX III

INITIAL QUESTIONNAIRE

QUESTIONNAIRE

1. When you hear the word "department store", which name comes to your mind?

2. Which department store have you shopped at most during the last month?

3. Have you always shopped there?
If not, when did you start shopping there?

4. What do you like most about the department store you have mentioned? (Repeat name given in Questions 2 & 3)

Service
Convenience
Cost
Quality (Either check one only or rank)
Variety
Return policy
Store layout

5. Where do you do most of your shopping? Downtown or shopping centre?

6. Which shopping centre do you usually shop at?

7. Of the department stores in Edmonton which have you found to have the:

Highest prices _____ 2nd highest _____
Best sales _____ 2nd best _____
Finest quality _____ 2nd finest _____
Poorest quality _____
Friendliest sales people _____ 2nd friendliest _____
Least friendly sales people _____
Best selection _____ 2nd best _____
Poorest selection _____
Best store layout _____ 2nd best _____
Best return policy _____ 2nd best _____

8. At which one of the department stores would you most likely shop for the following:

Men's suits _____

Washing machine _____

Children's clothing _____

Small appliances _____

Ladies' shoes _____

Furniture _____

Drugs _____

Hardware _____

Toys _____

9. Which department store credit cards do you carry? (Specify four major and others, if any)

10. Since the advent of Chargex, have you used your department store credit card less?

Respondent: Married _____ Male _____

Single _____ Female _____

Age: 18 - 24 _____

25 - 30 _____

31 - 40 _____

41 - _____

Ages and number of children

_____

APPENDIX IV

FINAL QUESTIONNAIRE

QUESTIONNAIRE

1. Which department store do you shop at (most)?

either open or rank

a. Bay
b. Eatons
c. Simpson Sears
d. Woodwards
e. Woolco
f. _____specify

2. When did you start shopping there?

a. I've always shopped there

b. Since I came to Edmonton

years ago 1 2 3 4 5 more

c. Why? Open

3. a) What do you like most about _____department store?

b) What do you like second most?

_____ Service
_____ Convenience
_____ Prices
_____ Sales
_____ Bargains
_____ Value
_____ Variety or Assortment
_____ Quality
_____ Satisfaction
_____ Exchange/return
_____ Policy

4. How do you do most of your shopping?

a. In person
b. By telephone
c. Catalogue

5. a) Where do you do most of your shopping?

   a. Downtown

   b. Shopping centre

   b) How do you get there?

   a. Walking distance

   b. Public transit

   c. Car

6. Which shopping centre do you usually shop at?

7. Of the department stores in Edmonton, which have you found to:

   a. Have the best value _____, the second best value _____.

   b. Be most competitive, price-wise _____, the second most competitive _____.

   c. Have the most courteous sales people _____, the second most courteous sales people _____.

   d. Have the most knowledgeable sales people _____, the second most knowledgeable _____.

   e. Have the best selection _____, the second best selection _____.

   f. Have the best return policy _____, the second best return policy _____.

   g. Be the easiest to shop in _____, the second easiest to shop in _____.

8. At which one of the department stores would you most likely shop for the following:

a. ladies clothing

b. men's clothing

c. children's clothing

d. small appliances (such as toaster, electric kettle)

e. major appliances (such as fridge, stove, washing machine)

f. color T.V.

g. drugs

h. home furnishings (such as furniture, carpets, drapes)

i. hardware (electric drill)

j. sporting goods (hockey equipment)

9. What other services would you like to see a department store offer?

Open

10. Which department store credit cards do you carry:

Bay _____ Eatons _____ Simpson Sears _____

Woodwards _____ other (specify) _____

none _____

11. Since Chargex, have you used your department store credit card(s) less?

yes _____ no _____ No charges _____

To have a meaningful survey, something must be known about the families surveyed. It is not necessary to know your name and occupation, but it is important to know the family's income bracket and the number in the family

Married _____ Single _____

Age 18 - 24 _____

25 - 30 _____

31 - 40 _____

41 plus _____

Number and age of children

1 - 5	6 - 10	11 - 13	14 - 17	18 - 20
_____	_____	_____	_____	_____

Family income bracket

$_____ to $6000 _____

$7000 to $10,000 _____

$11,000 to $15,000 _____

$16,000 to $18,000 _____

$19,000 and over _____

APPENDIX V

FINDINGS OF MARKET SURVEY

DISCUSSION OF FINDINGS

Some skewing is evident. For example, a disproportionate number of people were interviewed in both Sherwood Park and St. Albert. These are smaller centres on the perimeter of Edmonton, yet they were treated as if they were homogeneous and though more heavily sampled, became an integral part of the survey. The populations in these centres do most of their shopping in Edmonton; however, on their way into Edmonton, they come first to shopping centres that do not have Bay outlets and, therefore, their patterns of shopping must show bias toward competitive department stores. This possible bias is taken into consideration and is explained in the analysis. Possible further skewing is due to the fact that the density of the population in downtown Edmonton was not considered. Although the downtown area is small, part of it has a density of 300 people per acre, and part of it 150 people per acre, while Edmonton in general has a density of only 50 people per acre.

Question number two is the most important question of the survey, and it is correlated with most other questions in the survey, the main correlation being between Question Two and Question Three, Nine and Ten.

Question Three points out that convenience is the most important item that the customer looks at, followed by service, and then by prices. In the downtown area, convenience is number two, while price is the most important item. This is explained by the fact that in the downtown area, there is a population in the medium household income bracket

which does have a tendency to look closely at how to apportion their disposable income -- to them, prices are important. In St. Albert, which is in the suburbs, convenience is number one, service number two, while quality is number three. One could assume then, that there might be a tendency among these people to come in and shop at the Bay with some expectation of quality.

Question Four has to be correlated with Question Two in order to perceive how the Bay is affected. One could assume that people first coming into town either shop downtown because they do not know the city and/or that they tend to follow the patterns they had established elsewhere. In the second and third year (where the Bay is weak), it could simply mean that people have by then moved to the suburbs and are, therefore, much closer to shopping centres or that, on the other hand, it could mean that the Bay has been unable to keep them as customers. The Bay does well with people who have been in Edmonton over five years.

Question Seven could be misleading. For example, what it does not take into consideration is that many people shop during office and lunch hours as well as right after work. Many of these people are concentrated in the downtown area, but were not covered in this survey. (For example, in other customer surveys it was found that as high as 28% of the population of Edmonton shops in the downtown area.) What does seem important is that a great number of people shop once a week, which should enable a department store to establish a very frequent rapport with its customers and thereby increase loyalty.

Also of interest is that (see 9 A-1) one can make the assumption that close to 50% of the people who shop at the Bay shop there for something other than their money's worth, that many among the people (9 E-1) who shop at the Bay do not believe that it has the best return policy. One could assume (9 F-1) that people find it easiest to find things where they shop most. With further analysis, however, it became evident that at the Bay, most people find it easy to find the items that they want to buy.

Question Ten reveals the strength and weaknesses of the different departments only through further analysis.

In Question 11, it was hoped to solicit comments in regard to additional services within the department store, that we might offer. However, it was obvious that customers perceive service in regard to the completion of transactions. Less than 50% of those asked the question replied and the majority were critical of all department stores. The only significant observation in regard to new services was a request for a babysitting service.

Question Twelve indicates that the Bay does not have as many credit cards out as its competitors and, as will be seen by later correlations, customer loyalty and retention is a factor of the credit card.

Question Thirteen shows that all department stores have suffered equally (about 8% loss) since Chargex, and could lead one to assume that a new card of similar nature may conceivably further erode customer loyalty.

APPENDIX VI

MARKET STRATEGY REPORT

A MARKET STRATEGY FOR THE HUDSON'S BAY COMPANY IN EDMONTON DESIGNED TO ACHIEVE MARKET DOMINANCE BY 1983

INTRODUCTION

PART I Economic Outlook

PART II Future Retail Trends

PART III Market Strategy

(a) Competition

(b) Target Market

(c) Merchandise

(d) Price

(e) Place

(f) Sales Promotion

(g) Market Strategy Recommendations

INTRODUCTION

Department stores established their dominance as retailers during the first part of the twentieth century. This dominance came about primarily by offering to the consumer a wide variety of merchandise including import items and generally lower prices than other retailers. Furthermore, the policy of satisfaction guaranteed or money refunded, establishment of credit plans for customers, and finally the establishment of the large variety of services to the consumer, further enhanced their position.

With the advent of the 70's however, there are signs that the dominant position of the traditional retail store in North America could be threatened. First, there are now a relatively large number of department stores, with each store attempting to get a greater market share. Because of this tremendous competition, a lack of distinctiveness has become apparent as each department store has attempted to cater to a broader range of customers by virtually offering the same merchandise and the same services. In addition, retail space in urban areas appears to be increasing at a much greater rate than the amount of disposable income available to consumers, primarily because of the rapid expansion of retailers into suburban shopping centres. Secondly, the discounter which came onto the scene during the 60's has managed to take a large share of the middle income market. These discounters in some instances have been able to offer brand name merchandise at reduced prices primarily because they offer no other services, thereby reducing their cost of operation. Thirdly, with the advent of the universal charge

card, credit plans established by individual department stores are becoming less important as the universal charge card can now be used in specialty shops to provide a credit account privilege.

Finally, consumers themselves have changed in many respects. Store loyalty, so important to the department store at one time, is slowly disappearing as consumers are paying more attention to convenient location, price, quality of merchandise, operating efficiency in the department stores perceived by the consumer, service, knowledgeable sales people, and decor of the store. In the future other changes and perhaps more drastic changes may become evident.

A department store therefore can only succeed in the future by being aware of consumer challenges and environmental changes. Those retailers who cannot forecast these changes with reasonable accuracy, or cannot meet these changes as they become apparent, will be left behind by more aggressive retailers. The retailer must therefore have a market strategy which outlines who the customer will be for that particular retailer, and how the product must be merchandised to appeal to that particular customer. A Market Strategy has two primary objectives. The first objective is to define the target market which is the selection of a particular group of customers to whom the retailer or department store wishes to appeal. The second objective is the development of a marketing mix which will ensure that the target market selected will be provided with the right merchandise, at the right price, at a convenient place and with the appropriate promotional exposure. The recent attitude study completed for the Hudson's Bay Company in Edmonton has provided

us with an indication of what the consumer thinks of us, our products, service, price and many other factors. These results provide us with a basis from which a new marketing strategy can be devised, and help us to forecast our target market, our product mix and service, over the next decade.

Once the target market has been established and the product mix and service chosen, it is important for us to constantly monitor the market so as to determine whether the market plan is in fact sound. Over the years we must be aware of many new factors which can substantially influence the consumer, and which may require that our target market and product mix be changed in mid-stream. An attitude survey similar to the one taken in 1973 must be repeated in intervals of 18 - 24 months. This survey must be duplicated completely so that any changes are readily detected and can be acted upon quickly. Electronic Data Processing makes duplication of the study a simple matter in the future.

Part 1 will provide an indication of the economic outlook for Alberta, and particularly for Edmonton over the decade. Part II will briefly discuss those factors which may influence the consumer in the future. Obviously many of the factors discussed are subject to speculation, and it is quite possible that many of the changes may never occur or actually occur in a different manner. Trends which have started and which can be expected to continue into the future are examined, even though these trends may suddenly be discontinued or drastically alter in their direction. Part III will be our market strategy with the attitude survey as an appendix.

PART I

ECONOMIC OUTLOOK

The city of Edmonton covers an area of 122 square miles and as of December 21, 1972 the population of Edmonton proper was 441,000 while the population of metropolitan Edmonton was 495,000 people. Within a 15 mile radius of the city of Edmonton are five major towns - St. Albert, Fort Saskatchewan, Sherwood Park, Leduc and Spruce Grove. The population of these five towns is approximately 55,000 people and because these towns have as yet not developed a major downtown core, most of the shopping by these residents is done in Edmonton.

The average increase in population from 1966 to 1972 for the city of Edmonton was approximately 13,000 per year which represents an annual increase of 3%. In 1970 the Systems Research Group of the Federal Government, projected that the Edmonton population in 1976 would be 546,000 and in 1983 - 673,000.

Because of the relationship between retail sales and population growth, it is important to examine any factors that may contribute to the continued population growth of the city of Edmonton. Industrial employment opportunities could accelerate Edmonton's growth.

With new Alberta Government policies whose aim is to keep more of our natural resources within the Alberta borders for processing, by making it more expensive to export the raw products out of the province, the rate of investment in Alberta could quite possibly increase. The announce-

ment of the two price system for natural gas, which will force consumers outside Alberta to pay more for the natural gas from Alberta, is a step in this direction. In this specific case the intent is to increase the revenue from the natural resource and at the same time encourage establishment of industries in the province, which intensively require natural gas in their manufacturing processes. As a result of these policies, Dow Chemical of Canada Ltd., and the Province of Alberta are in the process of negotiating for the construction of an ethylene plant in the Edmonton area at an estimated cost of $200,000,000. Undoubtedly the price of natural gas was a major factor in Dow Chemical's decision to pursue an Edmonton site.

The second major project which would affect Edmonton, if constructed, is the $5,000,000,000 McKenzie Valley Pipeline to move natural gas from Alaska to the U.S. for refining and distribution. While this route has not been finalized and while there is still doubt as to the construction of a pipeline at all, Edmonton nevertheless has acquired the expertise for this type of industrial activity. The direct spin offs of the McKenzie Valley Pipeline in Edmonton, should it be constructed, would be the establishment of steel production plants, expansion of the heavy equipment, supply and servicing business, further transportation services by air, rail and highway carrier, and development of industrial equipment manufacturing and metal fabricating plants on an advanced level. The establishment and expansion of these industries must be considered from both an investment and operating point of view. Initially a huge amount of capital would flow into this city which would provide employment for a

large number of people, while continuing employment and increased employment would come from operating once these industries were established. Should this pipeline proceed, an estimate of several hundred million dollars per annum has been suggested as a possible increase in additional manufacturing investment. With the shortage of crude oil becoming more acute and the continuing energy crisis, the building of additional Athabasca Tar Sand extraction plants will probably commence quickly. It is estimated that by 1980, seven additional plants will have been built at a cost of approximately $700 million to one billion dollars each. Total investment here will equal or exceed the total investment for the McKenzie Valley Pipeline. Implications for Edmonton are obvious. Edmonton will become a major supply and transportation centre for supplying these plants, both in their initial construction and in their operating life, which is estimated at 30 years.

Another growing Alberta Industry which will certainly affect Edmonton as a supply and transport centre is the forest products industry. In 1970 wood, paper and related industries were exceeded only by the food and beverage industry and petroleum products in its importance to the Alberta economy. Two new areas in northern Alberta which could be developed as wood product centres are Whitecourt and Slave Lake and both would require Edmonton to supply industrial commodities during their construction and also once construction has been completed.

An industry which has recently been fostered by the Alberta Government is coal production. Exports of coking coal used in steel production to

Japan have grown sharply since 1969, from 891,769 tons to 3,339,000 tons in 1971, which was 37% of the total coal production in Alberta. In 1971, 4,279,000 tons were used in Alberta alone, primarily to generate electrical power. The Japanese are under contract to accept an average of 4.3 million tons of coal for 15 years. This, combined with increasing domestic use for electrical power will expand this industry markedly from the 1971 production of $41,837,000. The benefit to Edmonton will be through the further development of coking type of coal found in quantities to the west of Edmonton. While our tremendous coal resources are now being tapped for exports, it is quite possible that in the future Japanese concerns will be encouraged to establish manufacturing plants, including steel mills, in or near Edmonton where the supply of coal is plentiful.

While Alberta is energy rich, new ventures are faced with high transportation costs to the eastern market. At the present time the very complex rate system used to establish specific charges, favours markedly the western flow of products to certain west coast points only. For example, it is less expensive to ship steel products from Hamilton to Edmonton via Vancouver than directly from Hamilton to Edmonton. The provinces of Alberta, Manitoba, Saskatchewan and British Columbia have banded together to lobby for fair and equitable rates. An improvement in this situation would make it easier for other manufacturers to locate in Edmonton and compete with goods produced in eastern Canada. In looking at statistics for the Edmonton economy, we see that from 1965 - 1971 manufacturing output has grown at an average of 6.5% per annum. This figure indicates total manufacturing of all types in Edmonton and is estimated at 500 million dollars for 1971. An

indication of developments in industrial, residential and office construction is the amount of building permits issued by the city, which reached 235 million dollars in 1972 representing an average increase of 7.6% from 1965 through to 1972. Because the industrial area to the east of the city is not located within the city boundaries, such very major projects as the Gulf Refinery expansion costing 80 million dollars and the Imperial Oil refinery addition costing 200 million dollars are not included. If these projects were included it would reflect the major industrial growth in the Edmonton economy.

The available retail market is of major concern for the retailer. Figures are available which show an increase for Alberta in department stores' total trade of 8.8% for each year from 1965 to 1971 compared to 5.2% for total retail trade. The actual department store proportion of total retail trade has been rising steadily for all of Alberta from 12.06% in 1965 to 15.19% in 1971. In 1971 total retail trade was 2,466 million dollars with the department stores accounting for 368 million dollars. Department store sales in Edmonton for 1971 were 152 million dollars. Department store sales for 1983 are estimated to reach 600 million dollars. However, should some of the previously mentioned projects come into being, Alberta and particularly Edmonton would experience a major population increase due to the employment opportunities. The investment capital which would flow into Edmonton would in turn provide opportunities for other enterprises to establish here and the figures for retail trade could exceed the above estimate substantially.

There is every indication that the Alberta economy will continue to remain strong and vibrant over the next ten years even though a slow down in the economy might occur from time to time. Edmonton's economic activity will continue. With an increased population the disposable income for consumer goods will also increase. It is, therefore, up to the department store to ensure that they capture a greater proportion of the total retail dollar.

PART II

FUTURE RETAIL TRENDS

With economic growth expected to continue in Alberta and in Edmonton, all indications are that with population increases, retail sales will continue to expand rapidly. However, in the final analysis all retail sales depend on the consumer and any changes in the consumer's habits or lifestyle could cause drastic changes in their shopping habits and changes in the amount of dollars spent on merchandise. While it is of course impossible to say specifically what changes will occur in the consumer over the next ten years, or what changes will occur in the consumer's environment over the same period, it is possible to discuss current trends.

Perhaps the most important trend which is likely to continue is the decrease in the work week providing a greater amount of leisure time for the individual and his family. It is expected that by 1980 the retirement age in Canada will be reduced to 60 years. The working hours per week will decrease for the individual and the retirement age will be reduced. Disposable income will nevertheless remain high and quite possibly increase with the family unit as an increasing number of women are returning to the work force. It is almost certain that the individual will spend more of his disposable income on leisure items and activities. Such items as sporting goods, casual fashions, a second home in the country or at the lake, mobile homes, boats, snowmobiles, campers and similar items would appear to be in growing demand. For those individuals

who care to spend more of their leisure time at home, a large market would appear to exist for such items as televisions, stereos, stereo components, various cooking utensils, books, arts/handicrafts, hobbies, do-it-yourself projects, packaged home improvement kits, swimming pools, and certain types of home furnishings.

With the consumer becoming more educated and becoming increasingly concerned about the environment, waste of all types and increasing cost of living, the consumer in purchasing merchandise will be more interested in durability, utility, value and generally in functional merchandise as opposed to fashion merchandise. If a fashion trend is started by virtue of style or activity, its duration will be greatly reduced in the future and reaction time to detect and exploit a new merchandise item will be brief.

The desire of the consumer to purchase functional merchandise as opposed to fashion merchandise is already evident in many ways. Increasingly consumers are annoyed by items such as refrigerators which have a short life span of 6 years and furthermore require relatively frequent maintenance at a high cost. In some instances it is less expensive to discard an item such as a toaster, than to have it repaired, even though the part to be repaired is of minimal cost. Such items are generally constructed so that small parts cannot be readily exchanged, but entire units must be purchased which increase the cost of repairs to the point where it is more economical to replace the item. Consumers are also expressing their wish for more functional merchandise by the type of

automobile they are purchasing. Generally the trend is now to smaller cars which pollute the environment to a lesser degree and also provide greater gas mileage, even though small cars frequently do not have the comforts of their larger counterparts. In view of this attitude of consumers, manufacturers will be forced to produce, and retailers will be forced to sell, merchandise which is functional and which provides a reasonable period of operation before the item has to be replaced. The large retailer will have to lobby with the manufacturers to obtain items the public will accept.

A greater amount of leisure time will also allow the individual to pursue cultural and educational matters. Individuals will do more travelling especially throughout Canada and North America and will quite possibly visit more art galleries and museums. It is therefore important that the retailer should recognize these trends and provide for these individual interests; for example - an expanded art gallery would quite possibly be a good combination with art supplies. Book departments will probably receive great attention together with records and musical instruments. If a department store does not expand these areas, then an increase in the number of consumer dollars will go to specialty stores.

Specialized stores will become a greater challenge to the department store and may eventually even displace the discounter. As consumer interest increases in new expanded areas of merchandise, an increasing number of specialty stores appear to establish themselves quickly,

catering primarily to that type of merchandise. The department store is at a disadvantage because of the wide assortment of merchandise it must carry. Nevertheless it is important to decide which areas of merchandise warrant an increasing amount of space, as interest increases. Unless this is done, the department store will face serious competition from such new retailers as children's shops, leisure stores, discount stores, catalogue furniture show rooms, catalogue order hourses, and specialty sporting goods stores, to name but a few.

It is difficult to estimate whether the greater amount of available leisure time will be used for more personal shopping or for more shopping from the home. If shopping from the home is indicated to be more popular, then substantial improvements must be achieved to service the consumer in this area.

It is difficult to forecast the effect of family shopping on the department store in the future, primarily, because no clear trend seems to have established itself as to what will happen to the family in the future. Nevertheless, one trend appears certain which is the decrease in family size. In Canada, the numbers of persons per family decreased by 5.2%. In Alberta the rate remained relatively constant over that period with 1.8 children per family, but in Edmonton the average family size had decreased over this period. The trend in the decreasing size of a family is primarily due to readily available methods of birth control, urbanization, increased cost of living, together with increased cost of raising children, and the fact that people are getting married at a

later age or not getting married at all. If the population stabilizes in Canada, it will have dramatic consequences for retail sales. Sales increases would then come from either being an aggressive retailer or being located in a very buoyant economic region which attracts people from other regions.

Even though families in general appear to be decreasing in size, there is nevertheless, a trend to larger homes for those people who purchase single family dwellings. At the same time however, there appears to be a trend to apartment living especially high rise apartments for single people and young married couples. There is also a growing number of individuals and young married couples who are moving into town houses and condominiums. Town houses are generally less expensive but provide many of the advantages of the single family dwelling. It is obvious therefore, that to satisfy these different individuals, home furnishings will have to be designed differently in the future. The individual living in a single family dwelling or town house is virtually free to choose any types of home furnishings. The apartment dweller is interested in furnishings that are compact and will fit into many different types of layouts and decors.

While the population of Edmonton increased from 371,000 to 435,000 in the period from 1965 to 1970, the total personal income almost doubled in the same period, from six hundred and eighty five million dollars to twelve hundred and ninety eight million dollars in 1970. Even more sizeable jumps in total personal income are forecast for the future and

it is estimated that by 1983, total personal income will be three times the 1970 amount. One important component of total personal income is the income provided by the working women. The number of working women in Alberta in 1961, was 127,500 or 30.82% of the potential women available for work. In 1971, this figure is estimated at 219,700 or 40%. All the factors point to the continuation of this trend; in the United States the portion of working women is 60% now. Another factor that tends to drive up personal income is the level of education of the residents of the province. In 1965 there were 13,500 full time university students registered at the University of Alberta. This figure almost doubled by 1969 and reached 34,971. In 1972, however, the growth rate was reduced somewhat which may be due to other educational institutions offering advanced education, such as NAIT, SAIT, and various community colleges.

With the rapidly increasing home costs, housing, at least on an individual basis, will be beyond the means of the average citizen. This is primarily due to the increasing land costs in the city. In a recent survey taken by the Edmonton Journal which was published on March 22, 1973, it was indicated that lot prices in two of Edmonton's newest subdivisions were between $13,000 and $17,000. Complicating this are the increasing costs of labour and material. In view of this it is quite possible that the original flight to the suburbs, which was experienced shortly after the second world war, will be reversed as the cost of owning and operating a single home becomes prohibitive, more and more people will take to living in apartments. Much of the

high rise development in the city of Edmonton has taken place in the immediate vicinity of the central business district. This type of development is prevalent west of 103 Street and continues to approximately 124 Street and is bounded by the river on the south and 104 Avenue on the north.

The major factor in the development of the downtown business district is the problem of transportation. The system of arterial roadways, which has existed in this city for the past 20 years has been sufficient to carry the population of the city with a minimum amount of congestion. The North American experience however, has been that sole reliance on the automobile has tended to deterioriate the downtown business district. The city of Los Angeles for instance devotes 2/3 of its total downtown business district to either the movement or storage of the automobile. This type of congestion has made downtown America unattractive. It would appear that the solution for the city of Edmonton is construction of a light rapid transit system. If such a system is built, and it appears that it will be, it will ensure that we have a liveable downtown as well as easy access to the suburbs. If this can be brought about of course, the central business district will benefit tremendously as the rising downtown population will increase. The population of the central business district at December 31st, 1972 was 16,431 and of that population 92.1% were adults. The working population of the central business district is estimated at between 54,000 and 59,000 persons per day for 1972. The construction of two major high rise apartment complexes in the central business district and the recent announcement of a 20 storey

office complex and 27 storey apartment building in the same area, supports the contention that the residential, commercial limits of the central business district will continue to expand. The estimated working population of the central business district for 1981 is 79,000 people, which appears to be very realistic.

As land prices in the city of Edmonton continue to rise, those people who are still interested in purchasing a single family dwelling will seriously consider one of the five smaller towns surrounding the city of Edmonton as land in these communities is still considerably below the price of land in the city. The relatively inconsequential time spent driving and the slight lack of retail and commercial ammenities are more than offset by the quiet peace and the proximity of the country side.

The effect of several centres of 25,000 people near Edmonton would slightly reduce the retail demand in the city and increase demand in those centres precipitating development of shopping centres in these communities.

The growth of Sherwood Park within its present boundaries is now almost complete with a total population of just under 30,000 people. There is one sizeable development, including an 85,000 square foot Zellers store as a major tenant. Further expansion of that centre can include a major department store of another 85,000 to 120,000 square feet and is expected within the next five years.

St. Albert has a population of 15, 100 as of December 31, 1972, with an estimated population of 35,000 for 1981. The three smaller towns with populations between 4,000 and 6,000 people are residential centres for Edmonton's working population; Leduc, Spruce Grove, and Fort Saskatchewan. Although the potential for further growth exists, it will most likely not be significant within the next ten years.

While the consumer has a choice of purchasing various items or not, it is up to the retailer to advise the consumer where and what to buy. This is done through the media. In Edmonton, the retailer is fortunate because there is only one daily newspaper with an average circulation of 163,000 copies daily. Included in this circulation figure are many surrounding towns and rural areas which account for about 54,000 copies daily. The newspaper's effectiveness covers both the metro area and a large area of rural Alberta. The possibility of a second paper is remote. The circulation increased 6,000 in 1972 and will continue to rise with the population.

Television can be extremely effective in advertising, however here the retailer has to consider two stations in Edmonton and dollars for advertising must be split. With cable television having been introduced recently into the city of Edmonton, a new possibility is open by perhaps setting aside one channel which can be used strictly for advertising for any particular retailer. Again there are two companies QCTV and Capital Cable, between which the city is split. At the present time 50,000 homes have been wired for cable connection and it is estimated

that within two years the two companies will have the capability of servicing every home within the city, and in some of the outlying towns.

At the present time cable companies are not allowed to advertise on the channels set aside for their use. However, public interest announcements and movies with no commercial breaks are allowed. It is possible for cable firms to bring in F.M. music via the cable installation into the home. There do not seem to be any technical factors which prevent cable companies from advertising on their own channels, but this is left entirely to the licensing and regulatory body for radio, television in Canada, who are presently treating cable companies as a public utility.

All charges are subject to C.R.T.C. approval as are all programs and advertising. However, there does not appear to be any problem in producing a strictly product oriented broadcast, as rules and regulations can be changed depending on the pressure put on the C.R.T.C. In the future it is quite possible that this will be one extremely important source of advertising for the retailer, in conjunction with the telephone, so that a customer could merely watch their cable channel and then automatically order through the telephone.

The general rise in educational level and increase in leisure time have led to a greater demand for all aspects of entertainment. One of the most obvious reactions to this demand is the F.M. radio station. The unique aspect of this form of entertainment is its appeal to that segment

of the population interested in quality products. The present success of F.M. stations is expected to reflect only a small part of the future demand.

In addition to the daily newspaper, television, and radio advertising there are, of course, a number of minor newspapers and constant barrage of fliers and magazine and newspaper supplements used by small and large retailers alike. These are delivered directly to the customer's home. Cable television and F.M. radio might be important advertising avenues for the future.

PART III

MARKET STRATEGY

COMPETITION

When we examine the five major retailers in Edmonton, only Woolco appears to have established a distinctive image. They appeal to the low and middle income family stressing low price and store hours which allow the whole family to shop together. Their image of low price is supported by their store design, the method of operation and their virtual lack of traditional department store services; at the same time stressing the policy of "satisfaction guaranteed".

Eatons does not seem to have a great appeal to any particular income group in Edmonton, however, a definite desire to capture a target market in Edmonton appears evident by the addition of a Londonderry branch store. Their tremendous experience in merchandising elsewhere has as yet not been felt in Edmonton and it is certain that any market strategy for them would be aimed at the middle income family.

Woodwards seems to have captured the middle income family in Edmonton which was undoubtedly accomplished by their merchandising policy and their timely expansion into the suburbs. Most important however, their superb food department and automobile service centres captured the middle income shopper by offering a one-stop family shopping centre. By being relatively conservative in their merchandise policies and advertising campaigns, they have managed to appeal to the generally conservative middle class, thereby retaining the food shopper to shop for their other

needs in the same store. While a shopper is unlikely to visit Woodwards to shop for the latest in fashion and other trend merchandise, they are assured that they will find basic merchandise at all times and a good selection of "established" fashion merchandise in all sizes. Furthermore, such important departments, especially in suburban stores, as hardware and automotive accessories, children's clothing, stationery and drugs are extremely well developed.

While Simpson Sears are a relative newcomer to the Edmonton retail scene (1957), they have been extremely aggressive in their efforts to capture their target market which also appears to be the middle income family. While they have no food department, they have ensured that their suburban stores are adjacent to at least one major supermarket. Their primary strength lies in their merchandising of men's and ladies' wear and childrens' wear, hardware, sporting goods, home improvement and automotive accessories, including auto service station. They have been successful in convincing their customers that they offer the best quality at the lowest possible price, with customer satisfaction guaranteed.

The Bay in Edmonton, until 1970 had only a downtown base with a strong appeal to the young and the discriminating shopper. Our emphasis has been on fashion - men's, women's and the home. Our quality image is strong and our fashion assortments are generally recognized as superior. Our late entry into the suburbs is a major cause of our failure to increase our market share. With two recent shopping centres and a warehouse store, our total retail space is 694,000.

Woodwards with the completion of Edmonton Centre, will have 1,187,300 square feet.

Simpson Sears with Westgreen in 1975 will have 465,000 square feet.

Eatons by 1975 with two bargain stores and two Horizon Stores will have 394,000 square feet.

It is possible that K-Mart will have added 80,000 to 100,000 square feet in Edmonton by 1976.

Edmonton Centre will bring our per capita square foot figures to 7.2, the highest in Canada.

We have simply been "out-stored" by our competitors. If we wish to achieve dominance of this market in ten years, we will need to develop the equivalent of 300,000 square feet of appropriate retail space. Market dominance might not be a profitable goal for us in Edmonton in such a brief period as ten years.

RETAIL SQUARE FOOTAGE 1972

Hudson's Bay Company	694,861	sq. ft.
Woodwards	978,600	sq. ft.
Add Edmonton Centre - 1974	208,700	
	1,187,300	
Woolco	479,000	sq. ft.
Simpson Sears	365,000	sq. ft.
Add Westgreen - 1975	100,000	
	465,000	
Eatons	334,000	sq. ft.
Add two Bargain Centres '73 & '74	40,000	
	374,000	
Add two Horizon stores '75	40,000	
	414,000	

RETAIL SALES 1971

Hudson's Bay Company	32.3	
Woodwards	55.7	+ 20.8
Woolco	18	
Simpson Sears	29.5	
Eatons	19	

TARGET MARKET

Before we actually analyse what our target market should be, a few definitions must be discussed. Target market refers to a particular group or groups of people to whom we wish to appeal. Once the target market has been selected, then the marketing mix must be established. The marketing mix is the proper combination offering the right product for the target market, getting the right product to the target market, communicating to the target market about the right product which will be sold in the right place and finally charging the right price for the product. When the word consumer is used we will refer to all the consumers who could possibly be considered as potential target market customers. When we speak of customers, we will refer more specifically to individuals who patronize our stores.

In developing our target market, it is important to understand the consumer. Consumers generally have a desire to purchase and own goods, irregardless of whether they are financially able to purchase these goods or not. An individual still cherishes material objects as status symbols to signify where he stands in the social heirarchy, even though the types of material objects purchased by the individual today may be very different from those types of objects purchased 10 - 20 years ago. Material objects indicate the individual's position in the community, his fashion sense, his tastes, and his differences and also his preferences.

A department store is in an ideal position to entice people to purchase merchandise because of their physical size, and because a consumer who is not decided on specific purchases, is free to browse through the store. This is in contrast to the specialty store where it is assumed that once an individual enters the premises, he or she has a specific item which they wish to purchase. A department store, therefore, must provide two things:

(1) It must have a large assortment of basic merchandise, clearly displayed and also an assortment of merchandise which is new and different.

(2) The store must make it relatively easy to purchase merchandise by either using salespeople or self-service and by having a readily available credit account system. Once a consumer becomes aware that the department store is offering these two things, retail dominance can be established.

The product is, therefore, the prime method of distinguishing oneself from others with pricing, promotion, and place (location of stores) being secondary in importance. If we can demonstrate to the consumer that our store is able to always offer a broad assortment of basic merchandise in addition to providing new and different merchandise, as soon as it becomes available, they will soon become our customers and then price will only be used to establish preference between different types of goods, provided that similar merchandise being sold in other stores is priced competitively.

Advertising, while extremely important in making the consumer aware of what goods are available for purchase, nevertheless, doesn't create a basic desire in the consumer to own goods. The desire to purchase goods is already present. Furthermore, location of stores is also secondary if the consumer knows that in a particular place he can find the goods that he desparately requires. Having a number of different locations throughout a large metropolitan area, however, is certainly to a department store's advantage if it wishes to be dominant.

For the department store to succeed in the future, it will have to ensure that the following three factors are met:

(1) It must create an image for itself by having a large assortment of basic merchandise available to the consumer at all times,
(2) The image which it creates must appeal to the broadest group of people in society and particularly it must appeal to the group of people which holds the largest share of disposable income,
(3) The department store must be a fashion leader, style leader, and life style leader in the community.

Our target market is therefore identified as being the middle income family, with adults generally between 25 - 40 years of age. While this target market has been recognized by Woodwards, Simpson Sears and the Bay for a number of years, Woodwards and Simpson Sears appear to have been more successful in capturing this market. The Bay, having desparately tried to capture this market, still appears to the consumer as being a store with good quality and high prices. Our customer is

still primarily upper middle class and even though a majority of consumers may come to the Bay to see new and different products, they nevertheless return in the majority of cases to either Woodwards or Simpson Sears to make the final purchase. Our basic product assortment, therefore, does not seem to appeal to the middle income family and it is, therefore, obvious that this fact must be changed.

Our market study indicates this market has alluded us in the past and we must assume our basic assortment does not appeal to the middle income family. This situation must be reversed in all our units. The middle income family is likely to be:

- relatively conservative
- gadget conscious
- home and family oriented
- interested in family outdoor activities
- likes casual fashions
- lower priced children's wear
- do-it-yourself hobby fans
- still geared to the automobile

MERCHANDISE

For clarification purposes, merchandise will be divided into three classifications. First, we have BASIC merchandise, which is items that become more or less popular in the short run and are always required by the customer. This group would include such items as erasers, pencils, wool, golf clubs, television sets, certain standard sizes of rugs, toasters, etc. The second group of merchandise is FASHION items, which will basically remain in demand over a long period of time, nevertheless, change in style. Such items as men's suits, ladies dresses, men's and ladies shoes, are items in this category. Finally, we have TREND items, which are radically different from any previous items we have carried, either in design or style, but which the Bay should carry. Such items as electronic calculators when they were first put on the market, and certain types of men's and ladies clothing, are only a few examples in this category. It is important to remember that a trend item may become a fashion item and eventually a basic item, or the trend item may never get past its original stage.

To appeal to our target market, we must always carry a reasonable assortment of basic merchandise at all times and this merchandise can never be out of stock. Furthermore, we must have an assortment of fashion merchandise with a proper size assortment. While the assortment in this type of merchandise should be as broad as possible, it must have an in-depth assortment of sizes. Since financial constraints are always present, however, it is better to limit the assortment in styles

in favour of an in-depth assortment of sizes.

To extend our appeal to other groups of consumers who are not considered to be our target market, such as the higher income groups, and also young people and students, we must carry trend merchandise. This merchandise will distinguish us as being leaders in fashions, and lifestyle. It will also allow us to cater to those consumers who would prefer more exclusive merchandise and who are interested in paying a higher price. Quite simply, we want to continue to cater to our present group of customers, who are primarily upper income groups and young people, but nevertheless, capture the middle income family who is now considered our target market.

An excellent example of this redirection in our merchandising can be seen in our sporting goods department. We have a reasonably good selection of fishing equipment, golf equipment and similar basic merchandise; however, since bicycles and hiking equipment have become popular, we have exploited this area as much as possible by having a large selection of merchandise and devoting considerable floor space to it. It makes us a leader in "fashion" merchandise. At the same time, however, we have such items as ten speed tandem bikes, a side by side bicycle, and a gliding kite and a number of similar articles which are new and different and establish us as a leader in sporting goods merchandise. This type of merchandising is certain to have an effect on how customers regard our sporting goods department. A merchandise analysis of this type should be performed on other departments and the results should be examined in terms of sales.

In view of the fact that our target market is reasonably conservative it is extremely important that our methods of separating our fashion items from our trend items is done in a reasonably conservative manner. While boutiques are the answer, it was clearly evident during the opening of our Southgate store, that this manner of merchandising was not accepted by the majority of consumers even though this store was located in a relatively high income area. A modification of this concept of boutiques however, proved tremendously successful in our Londonderry store even though this store is located in a generally lower income area. When we examine Woodwards and Simpson Sears and Woolco, we find that their emphasis is on merchandise rather than decor which appears to be a successful approach in Edmonton. If the Bay were to emphasize their merchandise appeal to the middle income group together with a "moderately futuristic" decor as in Londonderry, results should be dramatic.

In our merchandise development programs, we must ensure that we exploit those areas that will have great demand in the coming years. Our home furnishings and home decorating departments must be co-ordinated by having the interior design studio become increasingly involved in advising the customer what types of furnishings would be suitable for their home. While our merchandise in these areas appears to be relatively attractive, we nevertheless have merchandise which does not seem to fit into our total concept. Furthermore, some areas in home decorating could be expanded. An art gallery for example might be developed so as to offer our customers a fairly substantial assort-

ment of paintings at various price levels. We should also establish a stereo component section as this type of merchandise appears to be gaining great popularity and in the future may become the most important commodity especially for apartment dwellers. The traditional stereo is too bulky for most apartments and, at the same time, it is not fashionable to have a stereo set these days. According to our survey it would appear that our T.V. and stereo department is reasonably well patronized by the Edmonton shopper, however, the same cannot be said for our appliances. It appears that Eatons has a substantially greater number of people shopping for appliances than any other store. It would appear the Bay could gain significantly in both of these departments if a concentrated effort was made to promote the Baycrest name. At the same time, however, we must ensure that the Baycrest name carries the quality that is generally associated with this name. This may require that in some instances the number of different makes be reduced to perhaps four or five which have proven to perform satisfactorily.

When we look at clothing, we find that the Bay is relatively well established for both men's and women's clothing, however, appears to lack severely in children's clothing. By far the best selection in children's clothing appears to be in Simpson Sears, with the Bay showing relatively poorly in this area. When we examine the other three department stores, that were surveyed, we find that the Bay appears to be very strong in home furnishings, relatively weak in both hardware and drugs. Simpson Sears appears to be very strong in hardware with Woodwards being very strong in drugs.

When we examine the merchandise, we find that besides the actual merchandise the other items that must be considered are the services that are offered to our customer. All of these are perceived by the customer as either an enhancing of the product or detracting from the product. First, it was found in our survey that the credit card being carried by individual consumers will determine in many instances where that particular individual will shop. We have found that generally the greatest penetration of credit cards was achieved by both Woodwards and Simpson Sears, with the Bay being in third place. This may be due to either our credit policies being too strict or that a less than adequate job has been done in distributing our credit cards to Edmonton consumers. In any case, it is something that must be rectified immediately and it is our suggestion that a major advertising campaign offering free credit for the first month, be established.

The survey also indicated that our customers tend to regard us as being in second place when we examine staff courtesy and knowledge. Salespeople are perceived by our customers as being the Bay, and depending on the attitude, morale, motivation and knowledge of our employees, this will be the image that the customer has of the Bay. While it is virtually impossible to change the individual it is, nevertheless, possible to stimulate the above mentioned qualities in the employee through the environment that the employee is working in. If the employee believes in the Company, the operation and its goals, and if they realize that they are all sales people representing the Bay, then a different attitude may be developed. This, however, can only be done through

training and the personnel function is the primary instrument initially; however, once an individual is in a certain department, it becomes the responsibility of that executive to further the individual's training. Department training is especially important where the individual requires special knowledge to be successful in sales. Specialized knowledge in turn gives the employee confidence, assurance and pride, which in turn produces courtesy when faced by the customer.

Our image can be further enhanced by stressing our unique services, thereby making the Bay as complete a one-stop family shopping centre as possible. The number of special services offered by the Bay at this time far outnumber the services offered by any other department store in Edmonton. We must constantly search for new services which would be beneficial to both our image and customers, and we must ensure that these services compliment our total customer appeal. Services that are related to our merchandise, therefore, should appear to deserve more consideration and development than services that are not related to our merchandise. Rentals, repairs, and home improvements are demand areas. We should emphasize our unique food service package.

PRICE

While merchandise assortment is of primary importance in our appeal to our target market, perhaps of more importance is value. Unfortunately, it appears from our survey that very few consumers understand the word value, and it would appear that stressing price and quality initially would be more effective.

It is of the utmost importance in capturing our target market to be competitive with other department stores and also to provide our customers with value, the best quality merchandise at the lowest possible price. We do not want customers who patronize our stores to purchase only trend merchandise, but we want trend merchandise to entice them into our stores so they will purchase our fashion and basic merchandise. Imported merchandise is probably ideal to distinguish us.

It is relatively easy to become too concerned about price competitiveness. While a product which is identical and is sold in another department store should obviously be priced at the same price, a product which is slightly different or a service which is different should be exempt to some degree from price competitiveness. It is difficult to measure the service provided to customers by two different retail establishments, therefore if one establishment charges a slightly higher price because they know that their service is superior, then this difference in price may be justified. When it comes to service, it would appear that price competitiveness plays a secondary role.

PLACE

Thus far we have attempted to identify our target market, our merchandise offered to the target market, and our pricing policies. Shopping convenience however, was identified in our survey by consumers as a major factor and it is, therefore, important to give serious consideration to this.

It is possible to identify nine different types of stores:

(1) DOWNTOWN STORE - should have a very broad assortment of basic fashion merchandise and be a leader in trend merchandise. It must be made an exciting place to shop, providing all of the services that are identified with us. We know downtown Edmonton to be lively, healthy, and growing. Its working population will continue to increase as will its residential appeal. The concept of the downtown store as a "flagship" is accurate.
Our downtown store is our image location - if the middle income family is our target, we need to provide depth assortments of popular priced merchandise.

(2) BRANCH STORES - should have a floor space of 100,000 to 180,000 square feet and should be located in an area with a population of approximately 50,000 to 80,000 people. Merchandise in these stores should be more selective. It should cater to those particular people living in that community. While the branch store must

have basic fashion trend merchandise, the assortment nevertheless can be considerably reduced. Promotions should generally be confined to the downtown store, however, major promotions must also extend to the branch stores.

(3) COMMUNITY STORE - should be located in key areas throughout the city where branch stores have not been located and where regional shopping centres are not likely to be developed, and should have a floor area of between 30,000 and 70,000 square feet. They will carry no trend merchandise and must have a good selection of basic and fashion merchandise in the departments represented there. It is interesting that this was the initial approach of Simpson Sears in developing both Meadowlark and Bonnie Doon. Bonnie Doon opened in 1959 with 39,000 square feet, expanding to 70,000 square feet in 1967. Meadowlark opened in 1963 with 41,000 square feet and expanded to 92,000 in 1969.

(4) WAREHOUSE STORE - is ideal vehicle for clearance sales of major items such as furniture and home furnishings merchandise. They should be located in selected areas of the city and can be close to branch stores or community stores, as their merchandise appeal is quite different.

(5) HOME FASHION CENTRES - a trend in North American marketing clearly indicates the acceptability of free standing major furniture stores in areas other than downtown. There is a great opportunity to quickly

achieve dominance in home fashions through their establishment. Such a centre could also be combined with Food Services and Specialized Shops.

(6) SPECIALIZED STORES - these types of stores may have to be considered in the future, should competition for special merchandise stores become severe from other retailers. We may have to consider special stores for furniture, children's wear, sporting goods, etc., and these stores can be located throughout the city and satellite communities in those areas where the demand would be great for this type of store. We will not concern ourselves further with specialized stores as they do not seem to be required immediately, however, it is possible that four or five years from this date, competition may require us to consider these types of stores very closely.

(7) AUTO CENTRES - Woolco, Woodwards, Simpson Sears, and recently Zellers in Sherwood Park, have all established facilities locally to serve the motorist. The prompt establishment of T.B.A.'s is necessary to complete our appeal.

(8) FOOD SERVICES - our commissary facilities now permit us to establish food service operations independent of our stores.

(9) The communities immediately comprising Greater Edmonton have a total population of 55,000 and growing: -

St. Albert

Fort Saskatchewan

Leduc

Sherwood Park

Spruce Grove

we must reach out to these communities by extending our delivery service and possibly establishing brand name appliance stores combined with Zenith telephone service.

By 1974 Woodwards will have a 500,000 square foot lead in retail space; market dominance can only be achieved by a selected variable from the above grouping.

SALES PROMOTION

The quality and content of our visual presentation and advertising generally reinforces our strong youth and quality appeal. It does not however, reflect a family department store who wishes to portray a strong value and service image.

Our display and advertising concepts must be overhauled to support new directions in market strategy for the future.

- develop value image program
- co-ordinate appeal to middle income family
- develop in-store demonstration program for downtown
- expand promotion of unique services
- re-direction of institutional advertising
- consider specific market appeals for
    (1) downtown working population
    (2) apartment dwellers

If we are to successfully redirect ourselves to a strong appeal to the middle income family in the name of value and service, we will require the full co-operation of every member of our management team.

MARKET STRATEGY RECOMMENDATIONS

GENERAL

The overall purpose of our strategy is to achieve retail dominance in Greater Edmonton over the next ten years. We know our appeal to the youth and affluent to be strong, but we must redirect ourselves to our target market -- the middle income family.

SPECIFIC

(1) We need more outlets, conveniently located:

(a)	West Edmonton Regional Centre (with T.B.A.)	160,000
(b)	Expansion of Southgate	60,000
(c)	Two free standing Furniture Stores (approximate to Capilano and Centennial)	90,000
(d)	Three Community Stores (with T.B.A.'s) (2,3, & 4) St. Albert, Sherwood Park, Mill Woods	90,000
(e)	South Edmonton Warehouse Store	20,000
(f)	Londonderry and Downtown T.B.A. (5 & 6)	- - -
		420,000 sq. ft.
(g)	Three Appliance Stores Spruce Grove, Fort Saskatchewan, Leduc	6,000
	ADDITIONAL SQUARE FOOTAGE	426,000

In addition, we should look at each opportunity to expand our food services.

(2) Merchandise Assortments

(i) complete appraisal of children's wear including Baymart

(ii) conversion of drugs to super value departments

(iii) assortment examination of cameras

(iv) shoe department combination in branch stores

(v) full product appraisal in appliances, T.V. and housewares

(vi) assortment appraisal of floor coverings

(vii) expansion of art and home decorating accessories

(viii) hardware expansion in branch stores

(ix) careful reidentification of women's wear

(x) expansion in components, add pianos and organs

(xi) full assortment comparison between Woodwards and Bay in Southgate

(3) Credit

(i) promote credit package as a family shopping card

(ii) program to aggressively acquire 15,000 minimum new active accounts

(iii) establish membership in a welcome service

(4) Staff Training

(i) add Training Manager

(ii) add sales training specialist with training personnel in branch stores

(iii) develop specific merchandise knowledge programs in key departments

(5) Service

(i) upgrade of cash wrap operations completely

(ii) establish area sales desks

(iii) promote return policy statement - in advertising and in store

(iv) examine big ticket merchandise handling and delivery systems